KWADUKUZA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MOS ZUNGU	**Date**
MUNICIPAL MANAGER	

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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	Note	2010 R	2009 R
ASSETS			
Non-current assets		**761 564 608**	**730 176 850**
Property, plant and equipment	10	681 802 575	620 793 325
Intangible assets	11	891 572	1 218 442
Investment properties	12	54 980 000	66 245 000
Investments	13	22 521 455	40 164 624
Long-term receivables	14	1 369 006	1 755 459
Current assets		**331 473 808**	**308 492 821**
Inventories	15	3 301 059	3 724 324
Receivables from exchange transactions	16	28 442 124	30 131 392
Receivables from non-exchange transactions	17	50 258 668	90 303 892
Value added taxation receivable	9	1 864 550	3 472 955
Current portion of long-term receivables	14	1 109	5 055
Call investment deposits	18	199 549 638	140 416 802
Bank balances and cash	19	48 056 660	40 438 401
Total Assets		***1 093 038 418***	***1 038 669 671***
LIABILITIES			
Non-current liabilities		**108 073 136**	**138 764 593**
Long-term liabilities	2	50 131 377	82 875 294
Non-current provisions	3	19 253 243	17 143 019
Retirement benefits	4.2	32 266 348	32 579 955
Long service awards and retirement gifts	4.3	6 267 597	5 985 987
Non-current lease liability	40	154 571	180 338
Current liabilities		**173 436 679**	**136 990 754**
Deposits	5	17 393 544	14 841 134
Provisions	6	5 958 757	4 826 644
Creditors	7	88 112 688	84 841 832
Unspent conditional grants and receipts	8	17 352 565	7 198 345
Current portion of long-term liabilities	2	44 386 637	25 021 497
Current portion of lease liability	40	232 488	261 302
Total Liabilities		***281 509 815***	***275 755 347***
Net Assets		***811 528 602***	***762 914 324***
NET ASSETS			
Housing operating account	1	8 728 157	8 728 157
Accumulated surplus		802 800 445	754 186 167
Total Net Assets		***811 528 602***	***762 914 324***

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
REVENUE		**R**	**R**
Revenue from non-exchange transactions			
Property rates	20	165 698 819	159 776 130
Property rates - penalties imposed and collection charges		7 250 955	10 750 227
Fines		2 875 848	2 500 904
Government grants and subsidies	22	77 638 037	81 901 475
Licences and permits		5 812 221	5 353 158
Public donations - Property, plant and equipment	10	27 960 408	30 256 762
Revenue from exchange transactions			
Service charges	21	293 421 624	226 816 792
Rental of facilities and equipment		1 104 910	1 154 905
Interest earned investments		14 766 608	18 464 780
Interest earned outstanding debtors		1 870 691	2 544 223
Other income	28	26 078 836	32 206 092
Gain on disposal of property, plant and equipment		-	383 842
Retirement and long services benefits	4	313 607	821 331
Revaluation of investment properties	12	-	4 290 000
Total Revenue		**624 792 565**	**577 220 621**
EXPENDITURE			
Employee related costs	23	131 331 548	112 389 378
Remuneration of councillors	24	9 853 291	9 261 702
Collection costs		2 961 894	2 356 490
Ammortisation	11	804 060	547 018
Depreciation	10	26 759 087	27 887 318
Repairs and maintenance		44 247 787	43 084 542
Finance costs	25	11 132 734	13 419 874
Bulk purchases	26	183 538 696	133 890 106
Contracted services		19 194 429	19 157 300
Retirement and long services benefits	4	281 610	6 681 783
General expenses	27	108 566 938	82 728 034
Adjustments to provisions		44 848 252	(2 037 731)
Adjustments to non-current provisions	3	3 242 337	4 777 622
Bad debts written off	16	1 247 632	3 537 832
Revaluation of investment properties	12	11 265 000	-
Loss on disposal of assets		1 704 141	2 998 591
Impairment loss on assets	10	4 290 130	5 146 011
Scrapping loss on assets	10	-	1 190 038
Less: Recharges		(29 091 278)	(25 907 336)
Total Expenditure		**576 178 287**	**441 108 572**
SURPLUS FOR THE YEAR		**48 614 278**	**136 112 049**

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2010

	Housing Operating Account R	Accumulated Surplus R	Total R
2009			
Balance at 30 June 2008	**8 728 157**	**619 620 188**	**628 348 345**
Correction of errors - VAT restatement of the provision (Note 36)	**-**	**(1 486 570)**	**(1 486 570)**
Correction of errors - Reversal of interest on outstanding debtor incorrectly raised (Note 36)	**-**	**(59 500)**	**(59 500)**
Restated balance	**8 728 157**	**618 074 118**	**626 802 275**
Surplus for the year	-	136 112 049	136 112 049
Balance at 30 June 2009	**8 728 157**	**754 186 167**	**762 914 324**
2010			
Surplus for the year	-	48 614 278	48 614 278
Balance at 30 June 2010	**8 728 157**	**802 800 445**	**811 528 602**

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		629 908 880	491 026 584
Cash paid to suppliers and employees		508 908 095	(380 959 884)
Cash generated from operations	30	121 000 786	110 066 700
Interest received		14 766 609	18 464 780
Finance costs	25	(11 132 734)	(13 419 874)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**124 634 661**	**115 111 606**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(65 532 862)	(85 266 283)
Purchase of intangible assets		(477 190)	(416 911)
Proceeds on disposal of property, plant and equipment and investment property		-	1 536 934
Decrease/(Increase) in non-current receivables		1 309 683	(1 718 642)
Decrease/(Increase) in non-current investments		17 643 169	14 027 427
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(47 057 200)**	**(71 837 475)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		11 857 304	9 519 558
Loans repaid		(25 236 081)	(5 338 085)
Increase in consumer deposits		2 552 410	2 018 595
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(10 826 367)**	**6 200 068**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**66 751 094**	**49 474 199**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**180 855 203**	**131 381 004**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**247 606 297**	**180 855 203**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in February 2010.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or

b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3, 4 & 5, the municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the

assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 13.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments – October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	**Years**
Infrastructure	
Roads	10 – 120
Electricity	5 – 100
Storm Water	10 – 50
Solid Waste Disposal	10 – 50
Community	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 5
Furniture and Fittings	2 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of non-cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually. Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 17)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	**Classification in terms of IAS 39.09**
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments

Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments
Unlisted investments	Held-to-maturity investments

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 7)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured as:

- Other financial liabilities.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.3.2 Financial Liabilities:

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the

asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

7.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

7.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

7.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

7.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipalities income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

8. INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are valued at lower of cost and net realizable value, determined on the weighted average cost.

In which case such inventories are measured at the lower of cost and current replacement cost. Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

10. REVENUE RECOGNITION

10.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

14. LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qulaifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

	2010 R	2009 R

1. HOUSING OPERATING ACCOUNT

Housing Operating Account	**8 728 157**	**8 728 157**
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	4 026 211	4 294 430
Housing Inventory	367 170	421 122
Debtors	1 590 651	1 981 995
Debtors: Department of Housing	2 066 644	3 469 675
Cash and cash equivalents	7 414 008	6 035 831
Agency account creditors	(6 726 120)	(7 484 918)
Creditors	-	-
Prepaid debtors	(10 407)	10 022
Total Housing Operating Account Assets and Liabilities	**8 728 157**	**8 728 157**

2. LONG-TERM LIABILITIES

Local Registered Stock Loans	17 006 000	35 978 486
Non Annuity Loans	70 666 809	64 554 408
Annuity Loans	6 845 206	7 363 897
Sub-total	94 518 015	107 896 791
Less: Current portion transferred to current liabilities	44 386 637	25 021 497
Local Registered Stock Loans	17 006 000	18 972 486
Non Annuity Loans	24 697 935	3 577 423
Annuity Loans	2 682 702	2 471 588
Total External Loans	**50 131 377**	**82 875 294**

Refer to Appendix A for more detail on long-term liabilities.

Local registered stock
Bear interest at rates between 14,3% and 17% per annum and are repayable within the next 12 months

Non Annuity Loans - Bank Loans
Bear interest at Base rate plus 2.7% and 16% are being redeemed in bi-annual and monthly installments, including interest, over varying periods until 2025.

Non Annuity Loans - Security Investments
Bear interest at 16% per annum and is repayable in two years.

Annuity loans
Bear interest at rates between 12% and 18% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.

Security - investments
The long term liabilities for local registered stock and one non annuity loan are secured by zero coupon investments which are guaranteed to earn sufficient investment revenue over the period of the loans which will redeem them at maturity.

3. NON-CURRENT PROVISIONS

Provision for the eradication of alien vegetation	16 600 017	13 358 680
Provision for the rehabilitation of the landfill site	8 611 983	8 610 983
Sub-total	25 212 000	21 969 663
Less: Current portion transferred to current liabilities	5 958 757	4 826 644
Provision for the eradication of alien vegetation	3 545 121	2 571 564
Provision for the rehabilitation of the landfill site	2 413 636	2 255 080
Total Non-Current Provisions	**19 253 243**	**17 143 019**

	2010 R	2009 R

3 NON-CURRENT PROVISIONS (continued)

The movement in non-current provisions are reconciled as follows:

Eradication of alien vegetation

Balance at beginning of year	13 358 680	10 229 297
Contributions / (Reduction) to provision	3 241 337	3 129 383
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	**16 600 017**	**13 358 680**

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to enforce private property owners to do the same.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2010/2011 operating budget over a period of ten (10) years.

The provision reflects a total of R3 118 084 expenditure discounted at a rate of 10% pa (2009: 9.90%).

Landfill site rehabilitation

Balance at beginning of year	8 610 983	6 962 745
Contributions to provision	-	1 648 238
Reduction due to remeasurement	-	-
Increase due to discounting	1 000	-
Expenditure incurred	-	-
Balance at end of year	**8 611 983**	**8 610 983**

The provision created for the rehabilitation of the landfill site is based on managements assessment of the rehabilitation costs of the Shakaville dumpsite. A study will be done to determine the cost estimate in the near future.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2010/2011 operating budget over a period of two (2) years.

The provision reflects a total of R8 611 983 expenditure discounted at a rate of 10% pa (2009: 9.90%).

4. RETIREMENT BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement).

The independent valuer carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). The 2010 valuations have not yet been released.

Superannuation

An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2006. The actuarial value of total assets was more than the actuarial value of liabilities for the service of members to that date and for pensioners by:	121 700 000	121 700 000
made up as follows:		
For service to 31 March 2006		
for pensioners - surplus funding level 119.4%	210 000 000	210 000 000
for members - deficit funding level 95.0%	(88 300 000)	(88 300 000)
attributable to salary increases being higher than expected of	49 000 000	49 000 000

The fund did not hold an Investment Reserve at 31 March 2006.

	2010 R	2009 R

4. RETIREMENT BENEFITS (continued)

For service after 31 March 2006
The total contribution rate payable (excluding the surcharge) exceeded that required for future service by 1.4% (2005 : 1.0%) of pensionable emoluments, or per year — 49 000 000 — 49 000 000

Conclusion
The funding level of the Fund improved over the valuation period. The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund; the asset composition of the Fund is appropriate to the nature of the liabilities;
the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits:

If his recommendation of an additional surcharge of Total 6% of members' pensionable emoluments is retained (accepted) by the General Committee at the forthcoming Annual General Meeting, the deficit will be eliminated within 2 years. — 3% — 3%

A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds,
A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some — 4% — 4%

However, once the deficit in the Fund has been met the excess contributions will meet the increased cost resulting from A I D S for the foreseeable future. It is therefore not necessary at this stage to adjust either the benefits or the contributions.

Provident Fund
The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2006 were that the net market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves of; — 46 638 000 — 46 638 000

The total interim rate of bonus credited over the year to members was compound — 46% — 46%

A further bonus to all members at 30 September 2006 has been approved by the Committee of Management of — 3% — 3%

Subsequent to the year end, a final bonus to all members at 30 September 2006 has been approved by the Committee of Management of — 5% — 5%

The actual cost of death benefits and expenses was less than the 3.75% of pensionable emoluments available to meet the same and it is recommended that death benefits be further reduced with effect from 01 July 2005 based on the pre-July 2004 level to — 0% — 0%

The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2006.

Retirement Fund
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2006 are:

The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by — (140 900 000) — (140 900 000)
made up as follows:

For service to 31 March 2006
for pensioners - funding level 116.2% — 63 400 000 — 63 400 000
for members - funding level 73.0% — (204 300 000) — (204 300 000)
The fund was thus funded — 88% — 88%
The fund did not hold an Investment Reserve.

For service after 31 March 2006
The total contribution rate payable, including the total surcharge of 14% payable by and on behalf of pre 01 July 2002 members and by employers, exceeded that required for future service of members' pensionable emoluments of — 11% — 11%

	2010 R	2009 R

4. RETIREMENT BENEFITS (Continued)

Conclusion

The funding level is	88%	88%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits		
A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds.		
A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
The matter will be addressed again at a future date.		

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.22%	9.04%
Health care cost inflation rate	7.27%	7.73%
Net effective discount rate	1.82%	1.21%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement (No explicit assumption was made about additional mortality or health care costs due to AIDS).	PA90-1 ultimate	PA90-1 ultimate

Percentage of in-service members withdrawing before retirement:	Females	Males	Females	Males
Age 20	24%	16%	24%	16%
Age 30	15%	10%	15%	10%
Age 40	6%	6%	6%	6%
Age 50	2%	2%	2%	2%
Age 55+	0%	0%	0%	0%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation	**32 266 348**	**32 579 955**
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	32 579 955	26 034 064
Current service cost	1 617 979	933 074
Interest cost	2 906 965	2 785 878
Benefit payments	(854 302)	(838 726)
Actuarial (gains)/losses	(3 984 249)	3 665 665
Balance at end of year	**32 266 348**	**32 579 955**
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1 617 979	933 074
Interest cost	2 906 965	2 785 879
Benefit payments	(854 302)	(838 726)
Actuarial (gains)/losses	(3 984 249)	3 665 665
	(313 607)	**6 545 892**

	2010 R	2009 R

4. RETIREMENT BENEFITS (Continued)

4.3 Long service awards

The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.10%	9.19%
General Salary Inflation (long term)	6.43%	6.58%
Retirement Gift Inflation (long term)	7.43%	7.58%
Net effective discount rate	2.51%	2.45%

Examples of mortality rates used were as follows:

Average retirement age	63 years		63 years	
Mortality during employment	SA85-90 Ultimate		SA85-90 Ultimate	
Members withdrawn from service:	Females	Males	Females	Males
Age 20	24%	16%	24%	16%
Age 30	15%	10%	15%	10%
Age 40	6%	6%	6%	6%
Age 50	2%	2%	2%	2%
Age 55	0%	0%	0%	0%

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	6 267 597	5 985 987
Fair value of plan assets	-	-
Liability in the Statement of Financial Positior	**6 267 597**	**5 985 987**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	5 985 987	6 673 827
Current service cost	665 061	568 783
Interest cost	527 387	703 394
Actuarial (Gain)/losses	(405 219)	(1529 610)
Benefit payments	(505 619)	(430 407)
Balance at end of year	**6 267 597**	**5 985 987**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	665 061	568 783
Interest cost	527 387	703 394
Actuarial (Gain)/losses	(405 219)	(1529 611)
Benefit payments	(505 619)	(430 406)
	281 610	**(687 840)**

In conclusion:

Statement of Financial Position obligation for:		
Post-employment medical benefits	32 266 348	32 579 955
Long Service Award	6 267 597	5 985 987
	38 533 945	**38 565 942**
Statement of Financial Performance obligation for:		
Post-employment medical benefits loss	-	6 545 892
Long Service Award loss	281 610	133 491
	281 610	**6 679 383**
Additional retirement costs	-	2 400
	281 610	**6 681 783**
Long service award gain	**-**	821 331
Post-employment medical benefits gain	313 607	**-**
	313 607	**821 331**

	2010 R	2009 R
5. DEPOSITS		
Electricity	17 393 544	14 841 134
Guarantees held in lieu of electricity deposits	2 178 020	2 179 970
6. PROVISIONS		
Eradication of alien vegetation - current portion	3 545 121	2 571 564
Rehabilitation of the landfill site - current portion	2 413 636	2 255 080
	5 958 757	**4 826 644**
7. CREDITORS		
Trade creditors	32 297 114	26 577 678
Payments received in advance	10 638 320	15 504 973
Deposits - other	25 591 964	23 277 683
Staff leave	5 775 543	5 175 552
Other creditors	13 809 746	14 305 946
Total Creditors	**88 112 688**	**84 841 832**

Payments in advance includes prepaid electricity accruals.

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government		
Municipal Infrastructure Grant	2 690 260	323 730
Financial Management Grant	682 612	491 772
Interdepartmental Monitoring Systems	-	40 000
Land Use Management Systems	152 000	332 000
Municipal Systems Improvement Grant	795 803	1 450 145
New Library	29 780	41 323
Admin Capacity	-	100 000
Community Development Workers	-	16 351
Property Rates Implementation	110 695	133 000
Development Bank of South Africa	262 774	262 774
CDB Revitalization	5 004 233	129 233
Agricultural	-	5 770
King Shaka	1 007 174	1 502 646
Municipal Assistance Programme	2 205 358	2 205 358
Ramasar Relief Fund	30 943	37 943
Disaster Relief Fund - Storm 28.02.2009	-	2 150
Department of Agriculture	-	100 000
Health: SAPPI	24 150	24 150
iLembe: Shared Services	643 500	-
Museum Grant / Subsidy	68 000	-
Department of Minerals & Energy	3 645 283	-
Total Conditional Grants and Receipts	**17 352 565**	**7 198 345**

See note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.

9. VALUE ADDED TAXATION RECEIVABLE	**1 864 550**	**3 472 955**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

10. PROPERTY, PLANT & EQUIPMENT

30 June 2010

Reconciliation of Carrying Value	Community	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2009	**40 925 668**	**24 801 505**	**102 308 804**	**90 512 711**	**225 694 302**	**12 795 212**	**17 463 652**	**26 814 520**	**73 075 700**	**4 294 431**	**392 146**	**1 714 674**	**620 793 325**
Cost	44 707 455	35 200 779	190 513 573	111 377 352	334 197 736	18 756 546	21 866 114	27 218 900	73 829 700	8 052 000	905 884	1 714 674	868 340 713
Accumulated depreciation	-3 781 787	-10 399 274	-88 204 769	-20 864 641	-108 503 434	-5 961 334	-4 402 462	-404 380	-754 000	-3 757 569	-513 738	-	-247 547 388
Acquisitions	13 504 579	3 959 226	3 875 596		6 368 929	3 193 035	6 669 282	1 209 281			199 318	26 553 615	65 532 862
Capital under construction brought into use			1 602 709									-1 602 709	-
Capital under construction													-
Maintenance written off													-
Assets Donated			10 594 668	2 903 927	14 461 813								27 960 408
Assets Previously not recognised						601 305							601 305
Assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost													-
Accumulated Depreciation													-
Impairment		-401 803	-1 867 827		-2 020 500								-4 290 130
Depreciation	-2 357 020	-4 019 624	-4 674 123	-2 257 858	-7 462 889	-3 484 774	-1 941 007	-50 784		-268 220	-242 787		-26 759 087
Carrying Value of disposals	-	-56 682	-	-	-1 546 562	-140 897	-	-	-	-	-	-291 965	-2 036 106
Cost		-105 861			-2 379 147	-257 868					-278 837	-291 965	-3 313 677
Accumulated depreciation		49 179			832 585	116 971					278 837		1 277 571
Carrying Values at 30 June 2010	**52 073 228**	**24 282 621**	**111 839 825**	**91 158 780**	**235 495 092**	**12 963 882**	**22 191 924**	**27 973 018**	**73 075 700**	**4 026 211**	**348 676**	**26 373 615**	**681 802 575**
Cost	58 212 034	39 054 142	206 586 546	114 281 279	352 649 332	22 293 018	28 535 396	28 428 181	73 829 700	8 052 000	826 364	26 373 615	959 121 611
Accumulated depreciation	-6 138 806	-14 771 521	-94 746 720	-23 122 499	-117 154 240	-9 329 136	-6 343 472	-455 164	-754 000	-4 025 789	-477 688	-	-277 319 036

The assets donated of R27 960 408 reflected as public donations on the statement of financial performance relate to the electricity, roads, and stormwater infrastructure assets in respect of the Woodmead Industrial Park development that were received during the current year.
*Other assets include net current assets held for re-sale with a book value of R240 772 (cost of R1 057 090 and accumulated depreciation of R816 368).

30 June 2009

Reconciliation of Carrying Value	Community	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2008	**17 174 498**	**27 970 506**	**72 002 893**	**89 809 390**	**176 154 664**	**6 241 985**	**12 787 013**	**27 108 823**	**73 982 700**	**4 562 831**	**436 395**	**26 354 242**	**534 585 940**
Cost	27 010 495	35 102 862	151 826 149	107 100 785	274 781 371	10 507 839	16 150 764	27 218 900	73 982 700	8 052 000	857 112	26 354 242	758 945 219
Accumulated depreciation	(9 835 997)	(7 132 356)	(79 823 256)	(17 291 395)	(98 626 707)	(4 265 854)	(3 363 751)	(110 077)	-	(3 489 169)	(420 717)	-	(224 359 279)
Acquisitions	21 736 162	819 991	26 878 077	4 276 567	19 735 359	4 832 256	5 745 750	-	-	-	181 495	-	84 205 657
Capital under construction brought into use	2 923 543		12 270 184	-	10 506 467		-	-	-	-		(25 700 194)	-
Capital under construction	-	-	-	-	-	-	-	-	-	-	-	1 060 626	1 060 626
Maintenance written off	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets Donated	-	-	-	-	30 256 762	-	-	-	-	-	-	-	30 256 762
Assets Previously not recognised	-	876 830	-	-	-	5 496 082	-	-	-	-	-	-	6 372 912
Assets written off	-	-	(422 689)	-	(652 512)	-	-	-	-	-	-	-	(1 075 201)
Cost	-	-	(460 837)	-	(1 082 223)	-	-	-	-	-	(132 723)	-	(1 675 783)
Accumulated Depreciation	-	-	38 148	-	429 711	-	-	-	-	-	132 723	-	600 582
Impairment	(197 739)	-	(2 865 703)	-	(776 103)	-	(324 600)	(227 866)	(754 000)	-	-	-	(5 146 011)
Depreciation	(710 796)	(4 272 373)	(5 553 958)	(3 573 246)	(9 530 335)	(2 970 318)	(715 711)	(66 437)	-	(268 400)	(225 744)	-	(27 887 318)
Carrying Value of disposals	-	(593 449)	-	-	-	(804 793)	(28 800)	-	(153 000)	-	-	-	(1 580 042)
Cost	(6 962 745)	(1 598 904)	-	-	-	(2 079 631)	(30 400)	-	(153 000)	-	-	-	(10 824 680)
Accumulated depreciation	6 962 745	1 005 455	-	-	-	1 274 838	1 600	-	-	-	-	-	9 244 638
Carrying Values at 30 June 2009	**40 925 668**	**24 801 505**	**102 308 804**	**90 512 711**	**225 694 302**	**12 795 212**	**17 463 652**	**26 814 520**	**73 075 700**	**4 294 431**	**392 146**	**1 714 674**	**620 793 325**
Cost	44 707 455	35 200 779	190 513 573	111 377 352	334 197 736	18 756 546	21 866 114	27 218 900	73 829 700	8 052 000	905 884	1 714 674	868 340 713
Accumulated depreciation	(3 781 787)	(10 399 274)	(88 204 769)	(20 864 641)	(108 503 434)	(5 961 334)	(4 402 462)	(404 380)	(754 000)	(3 757 569)	(513 738)	-	(247 547 388)

11. INTANGIBLE ASSETS

30 June 2010

	Software	Total
Carrying values as at 1 July 2009	**1 218 442**	**1 218 442**
Cost	2 034 669	2 034 669
Accumulated Amortisation	(816 227)	(816 227)
Write-off of intangible assets		
Cost	-	-
Accumulated Amortisation	-	-
Additions	477 190	477 190
Amortisation	(804 060)	(804 060)
Carrying value closing balance as at 30 June 2010	**891 572**	**891 572**
Cost	2 511 859	2 511 859
Accumulated Amortisation	(1 620 287)	(1 620 287)

30 June 2009

	Software	Total
Carrying values as at 1 July 2008	**1 463 385**	**1 463 385**
Cost	1 982 770	1 982 770
Accumulated Amortisation	(519 385)	(519 385)
Write-off of intangible assets	(114 836)	(114 836)
Cost	(365 012)	(365 012)
Accumulated Amortisation	250 176	250 176
Additions	416 911	416 911
Amortisation	(547 018)	(547 018)
Carrying value closing balance as at 30 June 2009	**1 218 442**	**1 218 442**
Cost	2 034 669	2 034 669
Accumulated Amortisation	(816 227)	(816 227)

		2010 R	2009 R
12.	**INVESTMENT PROPERTIES**		
	Carrying Value Opening Balance	66 245 000	64 455 000
	Loss on valuation	(17 260 000)	-
	Gain on valuation	5 995 000.00	4 290 000
	Sale of properties	-	(2 500 000)
	Carrying Values Closing Balance	**54 980 000**	**66 245 000**
	The fair value of these properties as valued by Council's valuer at 30 June amounts to	54 980 000	66 245 000
	Rental income derived from these properties amount to	477 846	457 725
	No amounts were expensed towards repairs and maintenance costs for income generating investment properties.		
	Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13.	**INVESTMENTS**		
	Unlisted		
	Zero coupon deposits	-	28 553 524
	Total Unlisted	**-**	**28 553 524**
	Financial Instruments		
	Collateral Security fixed deposits	241 832	225 679
	Fixed deposit	22 279 623	11 385 421
	Total Cash Investments	**22 521 455**	**11 611 100**
	Total Investments	**22 521 455**	**40 164 624**
	Council's valuation of unlisted investments	**22 521 455**	**40 164 624**
	Average rate of return on investments	**6%**	**13%**
	The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.		
	Investments pledged as security for loans advanced amount to	-	28 553 524
	Investments pledged for reimbursement of electricity contributions amount to	22 279 623	11 385 421
	Investments pledged as collateral security for loans advanced to staff amount to	241 832	225 679
	Collateral security fixed deposits were expected to be realised within the next twelve months in the prior year.		
	ACCOUNT DESCRIPTION - Investments (MFMA requirement)		
	Investments Bank Account *INCA Bank Account - Stanger Branch* *Account Number STAN 00-0001: Zero Coupon*		
	Bank statement balance at the beginning of the year	-	1 365 310
	Bank statement balance at the end of the year	**-**	**1 552 141**
	(Transferred to Current Deposits - Refer to Note 18)		
	Investments Bank Account *INCA Bank Account - Stanger Branch* *Account Number Kwad 00-0001: Zero Coupon*		
	Bank statement balance at the beginning of the year	-	13 187 635
	Bank statement balance at the end of the year	**-**	**14 894 610**
	(Transferred to Current Deposits - Refer to Note 18)		

	2010 R	2009 R
13. INVESTMENTS (continued)		
Investments Bank Account *Investec Bank Account - Stanger Branch* *Account Number TR 1846: Zero Coupon*		
Bank statement balance at the beginning of the year	12 106 773	10 495 904
Bank statement balance at the end of the year	**13 964 872**	**12 106 773**
Zero coupon deposits were previously disclosed under non-current investments, however they will be realised within the next twelve months.		
	13 964 872	**28 553 524**
Current Portion transferred to Call Investment Deposits (Note 18)	(13 964 872)	**-**
TOTAL COLLATERAL ZERO COUPON DEPOSITS:	**-**	**28 553 524**
Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072052: Short Term Investment Account*		
Bank statement balance at the beginning of the year	65 588	58 528
Bank statement balance at the end of the year	**70 470**	**65 588**
These amounts were previously disclosed under current investments, however they will not be realised within the next twelve months.		
Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072654: Short Term Investment Account*		
Bank statement balance at the beginning of the year	114 769	102 128
Bank statement balance at the end of the year	**122 708**	**114 769**
Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71039219855: Short Term Investment Account*		
Bank statement balance at the beginning of the year	45 322	40 245
Bank statement balance at the end of the year	**48 654**	**45 322**
TOTAL COLLATERAL SECURITY FIXED DEPOSITS:	**241 832**	**225 679**

		2010 R	2009 R
13.	**INVESTMENTS (continued)**		
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71186421337: Fixed Deposit*		
	Bank statement balance at the beginning of the year	11 385 421	10 051 934
	Bank statement balance at the end of the year	**12 267 541**	**11 385 421**
	Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 9998 31337173: Fixed Deposit*		
	Bank statement balance at the beginning of the year	-	**-**
	Bank statement balance at the end of the year	**10 012 082**	**-**
	TOTAL FIXED DEPOSITS:	**22 279 623**	**11 385 421**
	Investments Bank Account *New Republic Bank Account - Stanger Branch* *Account Number 110284/0014: Under curatorship*		
	Bank statement balance at the beginning of the year	-	70 471
	Bank statement balance at the end of the year	-	-
	Investments Bank Account *New Republic Bank Account - Stanger Branch* *Account Number 110284/0015: Under curatorship*		
	Bank statement balance at the beginning of the year	-	74 032
	Bank statement balance at the end of the year	-	-
	Investments Bank Account *New Republic Bank Account - Stanger Branch* *Account Number 110284/0016: Under curatorship*		
	Bank statement balance at the beginning of the year	-	116 354
	Bank statement balance at the end of the year	-	-
	TOTAL INVESTMENTS UNDER CURATORSHIP:	-	**-**
	TOTAL NON CURRENT INVESTMENTS:	**22 521 455**	**40 164 624**
14.	**LONG-TERM RECEIVABLES**		
	Housing selling scheme loans	12 639 537	13 939 437
	Electricity connection loans	6 044	11 881
		12 645 581	13 951 318
	Less provision for bad debts	(11 275 466)	(12 190 804)
	Provision for future housing discounts	(11 275 466)	(12 190 804)
		1 370 115	1 760 514
	Less: Current portion transferred to current receivables	(1 109)	(5 055)
	Electricity connection loans	(1 109)	(5 055)
	Total Receivables	**1 369 006**	**1 755 459**

ELECTRICAL CONNECTION LOANS
To encourage property owners to connect to the reticulation system, low interest rate loans were made to provide the necessary financial assistance. These loans attracted interest linked to prime up to a maximum of three years. These types of loans are no longer provided.

HOUSING SELLING SCHEME LOANS
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

		2010 R	2009 R
15.	**INVENTORIES**		
	Consumable stores	35 590	46 894
	Mechanical spares	28 577	6 184
	Electrical maintenance spares	2 776 019	3 156 875
	Fuel	93 703	93 249
	Housing inventory	367 170	421 122
	Total Inventories	**3 301 059**	**3 724 324**
	Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.		
16.	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Electricity	32 725 547	27 117 291
	Estate	105 391	111 343
	Refuse	7 304 872	5 712 675
	Value added taxation	6 279 805	5 201 523
	Legal Fees	777 619	619 380
	Encroachment and plot clearing	18 692	14 750
	Sundry Adjustments	668 850	1 117 834
	Interest	2 095 820	1 921 065
	Add back credits included above	764 089	4 191 573
	Total service debtors	50 740 685	46 007 434
	Less provision for bad debts	(22 298 561)	(15 876 042)
	Total	**28 442 124**	**30 131 392**
	Electricity: Ageing		
	Current (0 – 30 days)	24 385 297	20 986 390
	31 - 60 Days	1 115 945	1 131 436
	61 - 90 Days	1 799 035	590 322
	91 - 120 Days	444 079	513 617
	Greater than 120 days	4 981 191	3 895 526
	Total	**32 725 547**	**27 117 291**
	Estate: Ageing		
	Current (0 – 30 days)	3 365	4 902
	31 - 60 Days	3 124	4 269
	61 - 90 Days	2 896	4 505
	91 - 120 Days	2 896	3 943
	Greater than 120 days	93 108	93 724
	Total	**105 391**	**111 343**
	Refuse: Ageing		
	Current (0 – 30 days)	1 036 204	682 185
	31 - 60 Days	450 317	340 758
	61 - 90 Days	382 966	287 291
	91 - 120 Days	338 352	236 183
	Greater than 120 days	5 097 034	4 166 258
	Total	**7 304 872**	**5 712 675**

	2010 R	2009 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Value Added Taxation: Ageing		
Current (0 – 30 days)	3 801 484	3 116 592
31 - 60 Days	220 203	238 741
61 - 90 Days	308 187	136 032
91 - 120 Days	102 028	116 853
Greater than 120 days	1 847 903	1 593 305
Total	**6 279 805**	**5 201 523**
Legal Fees: Ageing		
Current (0 – 30 days)	120 953	5 811
31 - 60 Days	11 126	35 084
61 - 90 Days	21 694	437
91 - 120 Days	12 923	2 992
Greater than 120 days	610 923	575 056
Total	**777 619**	**619 380**
Encroachment and plot clearing: Ageing		
Current (0 – 30 days)		2 672
31 - 60 Days	-	5 526
61 - 90 Days	3 295	-
91 - 120 Days	6 349	-
Greater than 120 days	9 048	6 552
Total	**18 692**	**14 750**
Sundry Adjustments: Ageing		
Current (0 – 30 days)	(10 948)	250 871
31 - 60 Days	(1 650)	(19 957)
61 - 90 Days	(78)	10 839
91 - 120 Days	(9 646)	1 821
Greater than 120 days	691 172	874 259
Total	**668 850**	**1 117 833**
Interest: Ageing		
Current (0 – 30 days)	74 740	1 526
31 - 60 Days	123 888	124 825
61 - 90 Days	79 714	118 523
91 - 120 Days	87 210	112 173
Greater than 120 days	1 730 268	1 564 018
Total	**2 095 820**	**1 921 065**
Add back credits included above: Ageing		
Current (0 – 30 days)	340 281	1 417 162
31 - 60 Days	62 828	338 641
61 - 90 Days	46 557	409 294
91 - 120 Days	40 057	544 154
Greater than 120 days	274 366	1 482 322
Total	**764 089**	**4 191 573**

	2010 R	2009 R

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Reconciliation of the Bad Debt Provision		
Balance at beginning of the year	35 995 967	38 534 321
Receivables from exchange transactions	15 876 042	13 995 685
Long term receivables	12 190 804	14 465 059
Receivables from non-exchange transactions	7 929 121	10 073 577
(Release from) / Contribution to provision	47 097 265	(2 538 354)
Receivables from exchange transactions	3 071 857	1 718 905
Long term receivables	(915 338)	(2 274 255)
Receivables from non-exchange transactions	41 549 210	(2 307 535)
	43 705 729	(2 862 885)
Vat on trade receivables from exchange transactions	2 208 139	161 452
Vat on trade receivables from non-exchange transactions	40 875	163 078
Receivables from exchange transactions	22 298 561	15 876 042
Long term receivables	11 275 466	12 190 804
Receivables from non-exchange transactions	49 519 205	7 929 121
Balance at end of year	**83 093 232**	**35 995 967**
Bad debts written off	1 247 632	3 537 832

17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	80 809 600	82 014 922
Other debtors	5 675 435	3 213 286
Provincial Health Subsidy (see note 22)	1 699 376	1 340 437
Disaster Rough Seas (see note 22)	2 179 823	931 470
Department of Housing - RDP projects (see note 22)	2 066 644	3 469 675
Operating leases	1 905 431	1 758 002
Ilembe debtors	5 441 563	5 505 221
	99 777 873	98 233 013
less provision for bad debts	(49 519 205)	(7 929 121)
Total Other Debtors	**50 258 668**	**90 303 892**

Rates: Ageing

Current (0 – 30 days)	7 726 960	7 368 060
31 - 60 Days	5 503 138	4 887 772
61 - 90 Days	3 272 328	8 427 685
91 - 120 Days	3 038 321	3 614 095
Greater than 120 days	61 268 853	57 717 310
Total	**80 809 600**	**82 014 922**

	2010 R	2009 R
18. CURRENT INVESTMENTS		
30 day deposits	166 997 695	119 092 953
Current portion of non current investment	13 964 872	21 323 849
Zero Coupon Deposits	18 587 071	
	199 549 638	**140 416 802**

ACCOUNT DESCRIPTION - Investments (MFMA requirement)

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 62099517743: Money Market Account

Bank statement balance at the beginning of the year	16 469 109	22 990 182
Bank statement balance at the end of the year	**37 979 768**	**16 469 109**

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 74099518647: Call Account

Bank statement balance at the beginning of the year	13 816 513	12 412 986
Bank statement balance at the end of the year	**14 782 932**	**13 816 513**

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 71428762280: Call Account

Bank statement balance at the beginning of the year	-	5 753 393
Bank statement balance at the end of the year	**-**	-

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 71470297491: Call Account

Bank statement balance at the beginning of the year	23 302 784	20 963 117
Bank statement balance at the end of the year	**24 942 159**	**23 302 784**

Investments Bank Account
Standard Bank Account - Stanger Branch
Account Number 05 8756442-001: Call Account

Bank statement balance at the beginning of the year	11 580 587	10 377 323
Bank statement balance at the end of the year	**15 731 643**	**11 580 587**

Investments Bank Account
ABSA Bank Account - Stanger Branch
Account Number 2067768132: Call Account

Bank statement balance at the beginning of the year	11 542 870	10 378 456
Bank statement balance at the end of the year	**12 340 756**	**11 542 870**

Investments Bank Account
Nedbank Bank Account - Stanger Branch
Account Number 03 7881022337-10: Call Account

Bank statement balance at the beginning of the year	10 985 621	**-**
Bank statement balance at the end of the year	**11 767 217**	**10 985 621**

Investments Bank Account
Standard Bank Account - Stanger Branch
Account Number 058756442-002: Call Account

Bank statement balance at the beginning of the year	10 648 997	**-**
Bank statement balance at the end of the year	**8 058 297**	**10 648 997**

	2010 R	2009 R
18. CURRENT INVESTMENTS (continued)		
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 03 7881022337-11: Call Account*		
Bank statement balance at the beginning of the year	5 194 370	-
Bank statement balance at the end of the year	**5 556 502**	**5 194 370**
Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2068872069: Call Account*		
Bank statement balance at the beginning of the year	5 194 804	-
Bank statement balance at the end of the year	**5 550 400**	**5 194 804**
Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2068912186: Call Account*		
Bank statement balance at the beginning of the year	5 178 010	-
Bank statement balance at the end of the year	**5 531 360**	**5 178 010**
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 03 7881022337-12: Call Account*		
Bank statement balance at the beginning of the year	5 179 288	-
Bank statement balance at the end of the year	**5 541 112**	**5 179 288**
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 998 29852604: Call Account*		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	**5 185 081**	**-**
Investments Bank Account *Standard Bank Bank Account - Stanger Branch* *Account Number 05 875 6642 004*		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	**10 021 764**	**-**
Investments Bank Account *Standard Bank Bank Account - Stanger Branch* *Account Number 05 875 6642 005*		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	**4 008 706**	**-**
TOTAL 30 DAY DEPOSITS:	**166 997 695**	**119 092 953**

	2010 R	2009 R
Investments Bank Account		
Nedbank Bank Account (FBC Fidelity Bank) - Stanger Branch		
Account Number 7492501269: Zero Coupon		
Bank statement balance at the beginning of the year	21 323 849	18 830 411
Bank statement balance at the end of the year	-	**21 323 849**
Investments Bank Account		
Investec Bank		
Account Number TR 1846: Zero Coupon		
Bank statement balance at the beginning of the year	12 106 773	**-**
Bank statement balance at the end of the year	**13 964 872**	**-**
Zero coupon deposits were previously disclosed under non-current investments, however the current portion will be reflected under current investments.		
TOTAL CURRENT PORTION OF NON CURRENT INVESTMENTS:	**13 964 872**	**21 323 849**
Investments Bank Account		
INCA Bank Account - Stanger Branch		
Account Number STAN 00-0001: Zero Coupon		
Bank statement balance at the beginning of the year	1 552 141	**-**
Bank statement balance at the end of the year	**1 764 538**	**-**
Investments Bank Account		
INCA Bank Account - Stanger Branch		
Account Number Kwad 00-0001: Zero Coupon		
Bank statement balance at the beginning of the year	14 894 610	**-**
Bank statement balance at the end of the year	**16 822 532**	**-**
TOTAL ZERO COUPON DEPOSITS	**18 587 071**	**-**
Investments pledged as security for loans advanced amount to	**18 587 071**	
TOTAL CURRENT INVESTMENTS	**199 549 638**	**140 416 802**

	2010 R	2009 R

19. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts:
ACCOUNT DESCRIPTION

Primary Bank Account
First National Bank Account - Stanger Branch
Account Number 53730256310: Cheque Account
First National Bank Account - Ballito Branch
Account Number 53730076916: Cheque Account

Cash book balance at the beginning of the year	23 051 095	21 300 164
Cash book balance at the end of the year	**16 190 774**	**23 051 095**
Bank statement balance at the beginning of the year	23 008 863	19 720 237
Bank statement balance at the end of the year	**16 182 819**	**23 008 863**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62020550077: Cheque Account

Cash book balance at the beginning of the year	64 655	1 586 326
Cash book balance at the end of the year	**3 454 593**	**64 655**
Bank statement balance at the beginning of the year	64 655	1 586 326
Bank statement balance at the end of the year	**3 454 593**	**64 655**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62015681225: Cheque Account

Cash book balance at the beginning of the year	2 359 115	5 475 125
Cash book balance at the end of the year	**5 060 332**	**2 359 115**
Bank statement balance at the beginning of the year	2 359 115	5 475 125
Bank statement balance at the end of the year	**5 060 332**	**2 359 115**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031878624: Cheque Account

Cash book balance at the beginning of the year	1 477 570	1 355 738
Cash book balance at the end of the year	**643 665**	**1 477 570**
Bank statement balance at the beginning of the year	1 477 570	1 355 738
Bank statement balance at the end of the year	**643 665**	**1 477 570**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031876800: Cheque Account

Cash book balance at the beginning of the year	228 583	267 628
Cash book balance at the end of the year	**215 361**	**228 583**
Bank statement balance at the beginning of the year	228 583	267 628
Bank statement balance at the end of the year	**215 361**	**228 583**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290454: Cheque Account

Cash book balance at the beginning of the year	625 049	634 757
Cash book balance at the end of the year	**619 800**	**625 049**
Bank statement balance at the beginning of the year	625 049	634 757
Bank statement balance at the end of the year	**619 800**	**625 049**

	2010 R	2009 R

19. BANK, CASH AND OVERDRAFT BALANCES (Continued)

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290561: Cheque Account

Cash book balance at the beginning of the year	2 142 268	2 198 207
Cash book balance at the end of the year	**186 963**	**2 142 268**
Bank statement balance at the beginning of the year	2 142 268	2 198 207
Bank statement balance at the end of the year	**186 963**	**2 142 268**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382132: Cheque Account

Cash book balance at the beginning of the year	62 031	294 820
Cash book balance at the end of the year	-	**62 031**
Bank statement balance at the beginning of the year	62 031	294 820
Bank statement balance at the end of the year	-	**62 031**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382322: Cheque Account

Cash book balance at the beginning of the year	318 891	319 590
Cash book balance at the end of the year	**-**	**318 891**
Bank statement balance at the beginning of the year	318 891	319 590
Bank statement balance at the end of the year	**-**	**318 891**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382570: Cheque Account

Cash book balance at the beginning of the year	4 610	349 415
Cash book balance at the end of the year	**-**	**4 610**
Bank statement balance at the beginning of the year	4 610	349 415
Bank statement balance at the end of the year	**-**	**4 610**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382786: Cheque Account

Cash book balance at the beginning of the year	246 756	247 451
Cash book balance at the end of the year	-	**246 756**
Bank statement balance at the beginning of the year	246 756	247 451
Bank statement balance at the end of the year	-	**246 756**

Electricity Main Bank Account
First National Bank Account - Stanger Branch
Account Number 62080947941: Cheque Account

Cash book balance at the beginning of the year	255 533	256 841
Cash book balance at the end of the year	**259 234**	**255 533**
Bank statement balance at the beginning of the year	255 533	256 841
Bank statement balance at the end of the year	**259 234**	**255 533**

Electricity Bank Account
First National Bank Account - Stanger Branch
Account Number 62080949301: Cheque Account

Cash book balance at the beginning of the year	511 644	512 836
Cash book balance at the end of the year	**518 704**	**511 644**
Bank statement balance at the beginning of the year	511 644	512 836
Bank statement balance at the end of the year	**518 703**	**511 644**

	2010 R	2009 R
19. BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Gijima Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62115726525: Cheque Account		
Cash book balance at the beginning of the year	33	107
Cash book balance at the end of the year	**2 326**	**33**
Bank statement balance at the beginning of the year	33	107
Bank statement balance at the end of the year	**2 326**	**33**
Grants Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62049936323: Cheque Account		
Cash book balance at the beginning of the year	8 008 879	13 489 615
Cash book balance at the end of the year	**18 555 336**	**8 008 879**
Bank statement balance at the beginning of the year	8 008 879	13 489 615
Bank statement balance at the end of the year	**18 555 336**	**8 008 879**
Fines Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62079758268: Cheque Account		
Cash book balance at the beginning of the year	12 419	3 697
Cash book balance at the end of the year	**59 748**	**12 419**
Bank statement balance at the beginning of the year	12 419	3 697
Bank statement balance at the end of the year	**60 082**	**12 419**
Petty cash and cash on hand	**2 289 824**	**1 069 270**
TOTAL BANK BALANCES AND CASH:	**48 056 660**	**40 438 401**
20. PROPERTY RATES		
Actual		
Residential	86 285 090	79 407 275
Commercial	27 695 768	21 570 048
Residential for commercial purposes	765 623	932 294
Education and State	2 744 846	2 642 729
Municipal	-	-
Agriculture	1 977 290	7 498 024
Private open space	-	-
Vacant	46 214 102	47 662 163
PSI	16 101	63 597
Total Assessment Rates	**165 698 819**	**159 776 130**
Property Valuations		
Residential	21 915 369 650	20 284 018 650
Commercial	2 152 124 370	1 651 729 370
Residential for commercial purposes	117 770 000	121 630 000
Education and State	265 459 000	275 859 000
Municipal	334 204 000	347 240 830
Agriculture	1 672 834 000	1 825 447 000
Vacant	3 310 652 700	3 668 641 100
Informal settlements	3 415 000	3 415 000
Land reform	324 982 000	139 722 000
Monuments	1 260 000	1 260 000
PSI	19 460 000	18 970 000
Worship / PBOS	111 394 000	99 059 000
Total Property Valuations	**30 228 924 720**	**28 436 991 950**
The last general valuation came into effect on:	02/07/2006	01/01/2006

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007

	2010 R	2009 R

20. PROPERTY RATES (Continued)

Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments and residential used for commercial purposes	0,01182	0,01095
Residential used for agricultural	0,04728	0,01643
Industrial, business and commercial, vacant, public infrastructure, state owned and worship	0,02068	0,01916
Residential, informal settlements, land reform and monuments		
Residential used for commercial purposes, agricultural and worship		
Industrial, business and commercial, vacant, public infrastructure and state owned		
The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Improved special residential property	60%	60%
State property owners	50%	50%
Agricultural property & PSI	75%	75%
Residential used for commercial purposes	45%	30%
Industrial, business and commercial, and vacant	25%	25%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
Pensioners	25%	25%
Ballito Business Park Phase 2	25.00%	34.48%
Ballito Business Park Phase 3	49.04%	67.79%
Industrial incentives including:		
Phasing in of rates from the first year of establishment	25%	25%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2009 financial year:		
On an annual basis, by application, and the final date of payment being:	30 Sept 2009	30 Sept 2008
On a monthly basis, and the final dates of payment being the last working day of the month from August 2009 to June 2010.		
Interest is levied on outstanding rates per annum at:	12%	18%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%

21. SERVICE CHARGES

Sale of electricity	264 952 093	202 772 283
Refuse removal	28 469 531	24 044 509
Total Service Charges	**293 421 624**	**226 816 792**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

	2010 R	2009 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	41 801 436	36 485 626
Municipal Infrastructure Grant	17 573 471	16 482 778
Financial Management Grant	559 160	399 583
Interdepartmental Monitoring Grant	40 000.00	
Land Use Management Systems	180 000	90 000
Department of Minerals and Energy	354 717	2 400 000
Municipal Systems Improvement Grant	1 389 342	1 049 855
New Library Grant	101 543	43 677
Admin Capacity Grant	100 000	
Community Worker Development	16 351	
Local Economic Development	-	123 251
Provincial Health Subsidies	4 507 735	4 109 256
Department of Sports and Recreation	-	1 116 700
CBD Revitalization	-	870 767
Agricultural Show Grant	5 770	
King Shaka	995 473	385 823
Municipal Assistance Programme	-	794 642
Museum	-	62 972
Department of Housing: RDP Housing	435 179	1 576 500
Disaster Rough Seas	9 385 485	15 446 356
Ramasar Relief Fund	7 000	10 689
Disaster Relief Fund: Storm	2 150	
Dept. Of Agriculture Grant	100 000	
Health: SAPPI	-	25 850
Development Bank of South Africa - Sea	-	407 151
Development Bank of South Africa - Housing Summit	-	20 000
Property Rates Implementation	22 305	-
Library Headcount System	60 920	-
Total Government Grant and Subsidies	**77 638 037**	**81 901 475**

22.1 Equitable Share

Balance unspent at beginning of year		-
Current year receipts	41 801 436	36 485 626
Conditions met – transferred to revenue	(41 801 436)	(36 485 626)
Conditions still to be met	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	323 731	3 296 612
Current year receipts	19 940 000	13 509 896
Conditions met - transferred to revenue	(17 573 471)	(16 482 778)
Conditions still to be met-transferred to liabilities (see note 8)	**2 690 260**	**323 730**

This grant was used for road infrastructure as part of upgrading of informal settlements. No funds were withheld.

22.3 Financial Management Grant

Balance unspent at beginning of year	491 772	391 355
Current year receipts	750 000	500 000
Conditions met - transferred to revenue	(559 160)	(399 583)
Conditions still to be met-transferred to liabilities (see note 8)	**682 612**	**491 772**

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld by National Treasury.

	2010 R	2009 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.4 Interdepartmental Monitoring Systems Grant

Balance unspent at beginning of year	40 000	40 000
Current year receipts	-	-
Conditions met - transferred to revenue		-
Transferred to Revenue	(40 000)	
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**40 000**

The grant was to be used for administrative capacity building.
No funds were withheld.

22.5 Land Use Management Systems Grant

Balance unspent at beginning of year	332 000	322 000
Current year receipts	-	100 000
Conditions met - transferred to revenue	(180 000)	(90 000)
Conditions still to be met-transferred to liabilities (see note 8)	**152 000**	**332 000**

Spatial development framework and land use management systems. No funds were withheld.

22.6 Department of Minerals and Energy Grant

Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	2 400 000
Conditions met - transferred to revenue	(354 717)	(2 400 000)
Conditions still to be met-transferred to liabilities (see note 8)	**3 645 283**	**-**

This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.

22.7 Municipal Systems Improvement Grant

Balance unspent at beginning of year	1 450 145	-
Current year receipts	735 000	2 500 000
Conditions met - transferred to revenue	(1 389 342)	(1 049 855)
Conditions still to be met-transferred to liabilities (see note 8)	**795 803**	**1 450 145**

This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.

22.8 New Library Grant

Balance unspent at beginning of year	41 323	-
Current year receipts	90 000	85 000
Conditions met - transferred to revenue	(101 543)	(43 677)
Conditions still to be met-transferred to liabilities (see note 8)	**29 780**	**41 323**

This grant was in construction of new KwaDukuza library.
No funds were withheld.

22.9 Admin Capacity

Balance unspent at beginning of year	100 000	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	(100 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**100 000**

This grant is for capacity building.

This grant is for improvement in public participation.
No funds were withheld.

	2010 R	2009 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.10 Local Economic Development Grant

Balance unspent at beginning of year	-	123 251
Current year receipts	-	-
Conditions met - transferred to revenue	-	(123 251)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is used for local economic development.
No funds were withheld.

22.11 Community Development Workers Grant

Balance unspent at beginning of year	16 351	16 351
Current year receipts	-	-
Conditions met - transferred to revenue	(16 351)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**16 351**

This grant is used to pay for community development workers.
No funds were withheld.

22.12 Provincial Health Subsidies

Balance to be refunded at beginning of year	(1 340 437)	(829 371)
Current year receipts	4 148 796	3 598 190
Expenditure claimed in accordance with grant conditions	(4 507 735)	(4 109 256)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	**(1 699 376)**	**(1 340 437)**

The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.

22.13 Property Rates Implementation

Balance unspent at beginning of year	133 000	133 000
Current year receipts	-	-
Conditions met - transferred to revenue	(22 305)	-
Conditions still to be met-transferred to liabilities (see note 8)	**110 695**	**133 000**

This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.

22.14 Development Bank of South Africa

Balance unspent at beginning of year	262 774	262 774
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**262 774**	**262 774**

This grant is for capacity building.

22.15 Department of Sports and Recreation

Balance unspent at beginning of year	-	325 000
Current year receipts	-	791 700
Conditions met - transferred to revenue	-	(1 116 700)
Conditions still to be met-transferred to liabilities (see note 8)	-	**-**

This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.

	2010 R	2009 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.16 CBD Revitalization

Balance unspent at beginning of year	129 233	1 000 000
Current year receipts	4 875 000	-
Conditions met - transferred to revenue	-	(870 767)
Conditions still to be met-transferred to liabilities (see note 8)	**5 004 233**	**129 233**

This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.

22.17 Agricultural

Balance unspent at beginning of year	5 770	3 731
Current year receipts	-	2 039
Conditions met - transferred to revenue	(5 770)	-
Adjustments		-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**5 770**

This grant is for the erection of a stall at the Garden and Leisure Show in Pietermaritzburg

22.18 King Shaka Tourism Route

Balance unspent at beginning of year	1 502 646	338 190
Current year receipts	500 000	1 550 279
Conditions met - transferred to revenue	(995 473)	(385 823)
Conditions still to be met-transferred to liabilities (see note 8)	**1 007 174**	**1 502 646**

This grant is for the construction of bus and pedestrian access to King Shaka's Cave.

22.19 Municipal Assistance Programme

Balance unspent at beginning of year	2 205 358	2 000 000
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(794 642)
Conditions still to be met-transferred to liabilities (see note 8)	**2 205 358**	**2 205 358**

This grant is for credit control and GRAP implementation.

22.20 Museum

Balance unspent at beginning of year	-	-
Current year receipts	68 000	62 972
Conditions met - transferred to revenue	-	(62 972)
Conditions still to be met-transferred to liabilities (see note 8)	**68 000**	**-**

This grant is for the Museum expenditure incurred.

22.21 Department of Housing: RDP Housing

Balance to be refunded at beginning of year	(3 469 675)	(1 893 175)
Current year receipts	1 838 211	-
Expenditure claimed in accordance with grant conditions	(435 179)	(1 576 500)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	**(2 066 644)**	**(3 469 675)**

Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC.

	2010 R	2009 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.22 Disaster Rough Seas

Balance to be refunded at beginning of year	(931 470)	(1 784 315)
Current year receipts	8 137 132	16 299 201
Expenditure claimed in accordance with grant conditions	(9 385 485)	(15 446 356)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	**(2 179 823)**	**(931 470)**

This grant is from Department of Provincial Local Government for the clean up operations on the beaches.

22.23 Ramasar Relief Fund

Balance unspent at beginning of year	37 943	-
Current year receipts	-	48 632
Conditions met - transferred to revenue	(7 000)	(10 689)
Conditions still to be met-transferred to liabilities (see note 8)	**30 943**	**37 943**

This grant represents public donations paid in respect of fire damage to ratepayers homes.

22.24 Disaster Relief Fund - Storm 28.02.2009

Balance unspent at beginning of year	2 150	-
Current year receipts	-	2 150
Conditions met - transferred to revenue	(2 150)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**2 150**

This grant represents public donations paid in respect of storm damage on 28 February 2009.

22.25 Department of Agriculture

Balance unspent at beginning of year	100 000	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	(100 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**100 000**

This grant is in respect of the Amadumbe processing plant.

22.26 Health: SAPPI

Balance unspent at beginning of year	24 150	-
Current year receipts	-	50 000
Conditions met - transferred to revenue	-	(25 850)
Conditions still to be met-transferred to liabilities (see note 8)	**24 150**	**24 150**

This grant represents renovations to the clinic funded by SAPPI.

22.27 Development Bank of South Africa - SEA

Balance unspent at beginning of year	-	-
Current year receipts	-	407 151
Conditions met - transferred to revenue		(407 151)
Conditions still to be met-transferred to liabilities (see note 8)	-	**-**

This grant is for the strategic environmental assessment (SEA).

22.28 Development Bank of South Africa - Housing Summit

Balance unspent at beginning of year	-	-
Current year receipts	-	20 000
Conditions met - transferred to revenue	-	(20 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	**-**

This grant is for the housing summit expenditure incurred.

	2010 R	2009 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.29 Library Head Count System

Balance unspent at beginning of year	-	-
Current year receipts	60 920	-
Conditions met - transferred to revenue	(60 920)	-
Conditions still to be met-transferred to liabilities (see note 8)	**0**	-

This grant represents renovations to the clinic funded by SAPPI.

22.30 iLembe Shared Services

Balance unspent at beginning of year	-	-
Current year receipts	643 500	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**643 500**	-

This grant is for the hiring of a town planner for the KwaDukuza area.

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	77 616 704	66 479 653
Contributions to UIF, medical, pension benefits, WC and levies	23 080 672	20 321 617
Travel, motor car, accommodation, subsistence and other allowances	6 601 788	6 082 116
Housing benefits and allowances	785 569	955 154
Overtime, standby and rations payments	15 271 348	12 237 758
Leave pay and leave bonus payments	7 975 467	6 313 080
	131 331 548	**112 389 378**

Included in the employee related costs are the following:

Remuneration of the Municipal Manager

Annual remuneration	654 929	574 737
Car allowance	241 260	242 820
Contributions to UIF, medical and pension funds	132 836	121 383
Total	**1 029 025**	**938 940**

Remuneration of the Chief Finance Officer

Annual remuneration	775 581	596 079
Car allowance	30 009	88 839
Contributions to UIF, medical and pension funds	146 988	166 375
Total	**952 579**	**851 293**

Remuneration of Executive Directors

Economic Development and Planning

Annual remuneration	684 719	610 513
Car allowance	96 055	96 075
Medical and pension funds	10 980	15 374
Total	**791 754**	**721 962**

Technical Services

Annual remuneration	747 770	554 444
Car allowance	-	48 282
Medical and pension funds	132 091	154 356
Total	**879 861**	**757 082**

Corporate Services

Annual remuneration	839 883	614 304
Car allowance	-	-
Medical and pension funds	114 530	147 017
Total	**954 413**	**761 321**

The Executive Director of Corporate Services is currently acting in the position of Executive Director of Municipal Services. His acting allowance amounts to R 105 242, which is included in his annual remuneration and is for the period 01 April 2010 to 30 June 2010.

	2010 R	2009 R
23 EMPLOYEE RELATED COSTS (Continued)		
Municipal Services		
Annual remuneration	569 526	716 898
Car allowance	-	-
Medical and pension funds	1 123	5 292
Total	**570 649**	**722 190**

As of 31 March 2010 the post of Executive Director: Municipal Services was vacant.

24. REMUNERATION OF COUNCILLORS

Mayor	538 587	499 742
Deputy Mayor	433 020	404 695
Speaker	433 020	404 695
Mayoral committee members	2 408 054	2 186 246
Councillors	5 178 120	4 906 012
Councillors' pension contribution	862 489	860 312
Total Councillors' Remuneration	**9 853 291**	**9 261 702**

In-kind Benefits
The Mayor has the use of a Council owned vehicle for official duties and has four permanent bodyguards.

25. FINANCE COSTS

Non-current liabilities	11 132 734	13 419 874
Finance leases	-	-
	11 132 734	**13 419 874**

26. BULK PURCHASES

Electricity	**183 538 696**	**133 890 106**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

27. GENERAL EXPENSES

Included in general expenses is the following: -

Departmental charges	10 045 820	9 531 138
Free basic services	5 530 385	6 059 035
Dump charges	7 035 187	5 588 304
Replacement of faulty meters	3 007 099	3 575 091
Indigent support - sports and recreation department	4 793 187	3 494 979
Indigent support - waste management department	2 016 523	2 398 413
Security services	3 328 109	2 223 375
LED provision	1 390 669	1 943 575
Shark control expenditure	2 045 075	1 850 747
Call out to consumer complaints	2 108 313	1 705 837
Life saving Africa	1 570 795	1 601 214
Grant expenditure	435 179	1 576 500
Legal costs	2 532 945	1 379 733
Marketing	1 509 096	1 193 491
Audit fee - external audit	1 095 957	1 184 329
Bank charges	2 211 480	1 135 341
Insurance general	1 235 802	1 058 515
Refuse bags/contract	1 328 770	978 873
Free basic services	4 484 018	782 301
Valuations & valuation rolls	1 065 704	747 132
Processing of fines	1 226 051	622 945
Subsidies - selling schemes	1 038 301	281 708
Expenditure disaster rough seas	-	17 818
Other general expenses	47 532 473	31 797 640
	108 566 938	**82 728 034**

		2010 R	2009 R
28.	**OTHER INCOME**		
	Included in other income is the following: -		
	Contributions demand based	4 579 816	13 472 558
	Building plan fees	3 121 271	3 685 045
	Sundries	432 148	2 426 704
	Electricity availability	1 827 378	1 932 612
	Non standard service connection	1 506 853	1 893 177
	Disconnection / reconnection fees	762 386	697 373
	Contribution in lieu of parking	-	425 463
	Roads master plan	51 330	330 974
	Sale of redundant stock	83 250	105 848
	Sale of electricity street lights	1 157 422	59 630
	Other income	12 556 982	7 176 708
		26 078 836	**32 206 092**
29.	**UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**		
	Payment for goods not delivered	-	354 880
	Interest raised on over – refund of VAT	-	51 308
		-	**406 188**
	Irregular Expenditure:		
	Goods and/or services not procured through competitive bidding processes. This matter is to be reported to Council, the MEC & the Auditor Genera	8 991 241	7 693 968
	Supply Chain Management Regulation 22 - contracts exceeding R10m advertised for less than 30 days (Contract advertised for 16 days in compliance with CIDB regulations and guidelines for Accounting Officers. This is in conflict with SCM regulations requiring a minimum of 30 days.)	24 022 430	**-**
		33 013 671	**7 693 968**
	Further to the investigation launched in 2008/2009 with regards to the supply of skips, an internal disciplinary hearing was conducted and as a result the official responsible for the irregularity was dismissed with effect 31 March 2010. The skips were subsequently recovered and the municipality suffered no loss.		
30.	**CASH GENERATED BY OPERATIONS**		
	Surplus for the year	48 614 273	136 112 049
	Adjustment for: -		
	Amortisation: Intangible assets	804 060	547 018
	Depreciation: Property, Plant and equipment	26 759 087	27 887 318
	Impairment loss	4 290 130	5 146 011
	Scrapping loss	-	1 190 038
	Loss on disposal of property, plant and equipment	1 434 801	2 998 591
	Gain on disposal of property	-	(383 842)
	Contribution to provisions - non-current	3 242 337	4 777 622
	Subsidy released from Economic Housing Subsidy	1 038 301	-
	Contribution to retirement benefit obligation	281 610	6 681 783
	Contribution to long service award benefits	(313 607)	(821 331)
	Increase / (Release from) bad debt provision	44 848 252	(2 037 732)
	Bad debts written-off	1 247 632	3 537 831
	Fair value adjustment : Investment properties	11 265 000	(4 290 000)
	Investment income	(14 766 609)	(18 464 780)
	Public Donations	(27 960 408)	(30 256 762)
	Finance costs	11 132 734	13 419 874
	Operating surplus before working capital changes:	**111 917 593**	**146 043 688**
	(Increase)/decrease in inventories	423 265	(686 821)
	(Increase)/decrease in exchange receivables	(4 778 059)	(32 349 394)
	(Increase)/decrease in non-exchange receivables	(1 544 860)	(1 389 637)
	Increase/(decrease) in conditional grants and receipts	10 154 220	(1 153 919)
	Increase in creditors	3 216 275	1 668 917
	Decrease in short term portion of long term receivables	3 946	54 270
	(Increase)/decrease in VAT receivable	1 608 405	(2 120 404)
	Cash generated by operations	**121 000 786**	**110 066 700**

	2010 R	2009 R

31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	48 056 660	40 438 401
Call investment deposits	199 549 638	140 416 802
Total cash and cash equivalents at the end of the yea	**247 606 297**	**180 855 203**

The municipality has undrawn borrowing facilities of R22 346 046 (2009: R30 563 386)

32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	484 707	484 707
Amount paid - current year	(484 707)	(484 707)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

32.2 Audit fees

Opening balance	122 174	70 139
Current year audit fee	2 178 958	2 250 224
Amount paid - current year	(2 292 994)	(2 198 189)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**8 138**	**122 174**

32.3 VAT

Vat received for the year	**11 963 425**	**11 227 731**
VAT paid for the year	**(1 281 783)**	**(3 072 944)**

VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	16 736 473	14 703 988
Amount paid - current year	(16 736 473)	(14 703 988)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council	31 763 334	28 200 500
Amount paid - current year	(31 763 334)	(28 200 500)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

	2010 R	2009 R

32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

32.6 Councillor's arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days during the financial year:

Outstanding more than 90 days

Councillor: BH Maraj	-	986

32.7 Supply chain management deviations

Mayoral Games	-	278 502
Mr Price Pro Surfing Contest	435 000	1 727 547
Storm Damage	-	11 525 765
General contracts	7 252 278	12 209 079
Electrical contracts	7 155 705	
Civil contracts	832 568	
Roads	5 973 731	
2010 Soccer World Cup	45 691	
	21 694 973	**25 740 893**
Contracts extended and not reported in terms of S116 (3) of the Municipal Finance Management Act	**18 347 141**	**17 323 929**

32.8 Material losses incurred

Technical and non technical electricity distribution losses	**15 906 330**	**16 820 207**

No disciplinary action will be taken as the losses incurred are not due to negligence. Council is in the process of addressing the non technical losses via a meter replacement programme.

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for:	26 671 848	31 300 000
Infrastructure	20 460 649	11 300 000
Community	6 211 199	20 000 000
- Approved but not yet contracted for:	249 399 726	194 537 110
Infrastructure	232 867 014	87 892 000
Community	16 532 712	106 645 110
Total	**276 071 574**	**225 837 110**
This expenditure will be financed as follows:		
Grant funded	141 643 044	115 285 610
Council funded	48 267 117	33 359 100
External Loans	86 161 413	80 609 400
	276 071 574	**229 254 110**

		2010 R	2009 R
34.	**CONTINGENT LIABILITIES**		
	Reimbursement of capital costs of bulk supply to developers	179 512 779	179 512 779
	A claim made by Ezio Gori which is currently being defended by the municipality. Mr Gori is suing the municipality for breach of contract for terminating his contract as project manager for various housing projects.	310 536	1 340 780
	Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	233 510	233 510
	Default judgement was granted against the municipality for costs arising out of a motor vehicle collision with Mr VN Sangweni	120 000	120 000
	Obligations arising out of pending valuation appeals	-	100 000
	Staff dispute in progress	432 624	301 082
	Chief Albert Luthuli Housing Project - Payment outstanding to AVI Data Trading 457CC trading as Khayelihle Projects since the period 2007-2008. This liability has been in dispute.	1 835 112	-
		182 444 562	**181 608 151**
35.	**CONTINGENT ASSETS**		
	Eagle Take Away failed to pay Kwadukuza Municipality an amount of R1 266 451 for proceeds from sale of prepaid electricity cards.	-	1 345 000
	Debtor sued for rates & service charges.	-	28 016
	Debtors being sued for outstanding service charges	82 000	87 000
	Claim by Kwadukuza Municipality against three debtors	136 520	191 797
	Alleged misappropriation of funds by former employee.	40 730	47 730
	Case of theft of money by cashier. Case opened with SAPS and attempts are being made to recover the monies.	-	113 000
	Case Involving alleged Town Planning Transgression	50 000	90 000
	Cancellation of Sale Agreement	-	12 475
		309 250	**1 915 018**

	2010 R	2009 R

36. CORRECTION OF ERROR

The comparatives for 2009/10 have been restated in respect of the following errors:

36.1 Errors for accounting for VAT in provisions

VAT exchange receivable as previously reported	4 959 525
Adjustment to provisions - vat portion 2007/8	(1 486 570)
Restated balance as at 30 June 2009	**3 472 955**

36.2 Restatement of non-exchange receivable (Note 17)

Non-exchange receivables as previously reported	90 374 460
Adjustment to interest charged on outstanding debtor	(70 567)
Restated balance as at 30 June 2009	**90 303 892**

36.3 Restatement of the surplus for the year

Surplus for the year as previously stated	(136 123 116)
Interest earned on outstanding debtors	11 067
Surplus for the year restated	**(136 112 049)**

37. EVENTS AFTER THE REPORTING DATE

37.1 PRIMARY HEALTH CARE FUNCTION

The Primary Health Care function that is being performed on behalf of the Provincial Health Department is to be reabsorbed by the Provincial Health Department. The effective date of this transfer was 01 January 2008, however at 30 June 2010 the process of transferring this function was not complete. All staff, assets and liabilities associated with this function have not yet been transferred to the Provincial Health Department on that date.

The subsidy received from the Provincial Health Department for the rendering of this service on behalf of the Department does not fully cover the operational costs associated with this service, and this service is therefore reliant on subsidisation by the income raised from rate and tariff billing.

37.2 REGIONAL ELECTRICITY DISTRIBUTORS

In line with the National restructuring initiatives relating to the electricity industry, KwaDukuza Municipality has tacitly indicated willingness to participate in RED 5. It is envisaged that a Public Entity will be formed and all assets and liabilities relating to the provision of this service will be transferred to the said Public Entity.

37.3 NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA approved a 28.9% increase in Eskom bulk purchase tariffs which will have a significant effect on future revenues and expenditure.

38 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

	2010 R	2009 R
39. RELATED PARTIES		
39.1 COUNCILLOR: A G HORTON		
Expenditure:		
General Expenses for the year	97 322	102 781
Nature of transaction: Mr Horton was a partner in a legal firm which Council utilizes their services. Mr. Horton suspended his shares in the legal firm and resigned as councillor on 31 March 2010.		
Balance outstanding at year end:	Nil	Nil
39.2 COUNCILLOR: R SINGH		
Expenditure:		
General Expenses for the year	4 234 263	4 010 689
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: S KUBER		
Expenditure:		
General Expenses for the year	13 803	6 652
Nature of transaction: The Council has entered into a contract for printing and stationery supply with the staff member's parent.		
Balance outstanding at year end:	Nil	Nil
39.4 STAFF MEMBER: G GIBBON		
Expenditure:		
General Expenses for the year	26 400	26 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: J N HALL		
Expenditure:		
General Expenses for the year	7 500	30 000
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.6 STAFF MEMBER: A ARCHARY		
Expenditure:		
General Expenses for the year	-	-
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil

	2010 R	2009 R
39. RELATED PARTIES (continued)		
39.7 STAFF MEMBER: N G S BIYELA		
Expenditure:		
General Expenses for the year	6 900	41 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.8 STAFF MEMBER: C BUNDY		
Expenditure:		
General Expenses for the year	67 016	407 442
Nature of transaction: The Council has entered into a contract with the spouse of the employee for the implementation of LED projects. The employee resigned on 31 January 2010		
Balance outstanding at year end:	Nil	Nil
39.8 STAFF MEMBER: P NAIDOO		
Expenditure:		
General Expenses for the year	118 609	119 870
Nature of transaction: The Council has entered into a contract with the father of the employee for the sale of prepaid electricity		
Balance outstanding at year end:	Nil	Nil
39.9 STAFF MEMBER: P MURUGAN		
Expenditure:		
General Expenses for the year	92 458	7 917
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	**4 664 270**	**4 753 151**
40. LEASES		
OPERATING LEASES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	395 304	376 480
Later than 1 year and no later than 5 years	1 975 974	1 840 566
Later than 5 years	7 916 704	8 447 416
	10 287 982	**10 664 462**

Operating lease payments receivable relate to rentals for the car park, caravan park, advertising space and housing.

Salient leases

The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

	2010 R	2009 R

40. LEASES (continued)

FINANCE LEASES

Amounts payable under finance leases:

Finance lease liability - Minimum lease payments		
No later than 1 year	273 926	284 469
Later than 1 year and no later than 5 years	171 105	237 064
Later than 5 years		
Future Finance charges on finance leases	(57 972)	(79 893)
Present Value of finance lease liability	**387 059**	**441 640**

Present Value of Minimum Lease Obligations

No later than 1 year	232 488	261 302
Later than 1 year and no later than 5 years	154 571	180 338
Later than 5 years	-	-
	387 059	**441 640**

Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19.00%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.
The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION

Long-term liabilities - facilities granted	116 864 096	138 460 177
Used to finance property, plant and equipment - at cost	(94 518 015)	(107 896 791)
Undrawn facilities	22 346 081	30 563 386
DBSA R43 million loan	6 344 489	8 301 793
Inca vehicle loan R40.4 million	16 001 592	22 261 593
	22 346 081	30 563 386
Cash invested for repayment of long-term liabilities	22 346 081	30 563 386

R30 838 407 of the R40 040 000 INCA loan facility has been utilized with the remaining undrawn facility of R 8 521 501 having lapsed as at 30 June 2010 in terms of the conditions of the loan agreement.

		2010 R	2009 R

42. FINANCIAL INSTRUMENTS

42.1 Classification

FINANCIAL ASSETS:
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:

Financial Assets	**Classification**
Non-current Investments	
Unlisted Investments	Held to maturity
Collateral Security fixed deposits	Held to maturity
Fixed deposit	Held to maturity
Current investments	
30 day deposits	Held to maturity
Current portion of non current investment	Held to maturity
Long-term Receivables	
Housing selling scheme loans	Loans and receivables
Electricity connection loans	Loans and receivables
Car loans	Loans and receivables
Receivables from exchange transactions	
Electricity	Loans and receivables
Estate	Loans and receivables
Refuse	Loans and receivables
Value added taxation	Loans and receivables
Legal Fees	Loans and receivables
Encroachment and plot clearing	Loans and receivables
Sundry Adjustments	Loans and receivables
Interest	Loans and receivables
Receivables from non-exchange transactions	
Rates	Loans and receivables
Other debtors	Loans and receivables
Provincial Health Subsidy	Loans and receivables
Disaster Rough Seas	Loans and receivables
Department of Housing - RDP projects	Loans and receivables
Operating leases	Loans and receivables
Ilembe debtors	Loans and receivables
Bank, Cash and Cash Equivalents	
Bank Balances	Available for sale

SUMMARY OF FINANCIAL ASSETS

Held to maturity:				
Non-current Investments	Unlisted Investments	-	28 553 524
Non-current Investments	Collateral Security fixed deposits	241 832	225 679
Non-current Investments	Fixed deposit	22 279 623	11 385 421
Current investments	Unlisted Investments	18 587 071	
Current investments	30 day deposits	166 997 695	119 092 953
Current investments	Current portion of non current investment	13 964 872	21 323 849
		222 071 092	**180 581 426**

42 FINANCIAL INSTRUMENTS (Continued)

Loans and Receivables			
Long-term Receivables	Housing selling scheme loans	1 369 006	1 755 459
Long-term Receivables	Electricity connection loans	4 935	6 826
Current portion of long-term receivables	Electricity connection loans	1 109	5 055
Receivables from exchange transactions	Electricity	35 912 305	27 117 291
Receivables from exchange transactions	Estate	105 391	111 343
Receivables from exchange transactions	Refuse	7 304 872	5 712 675
Receivables from exchange transactions	Value added taxation	6 279 805	5 201 523
Receivables from exchange transactions	Legal Fees	777 619	619 380
Receivables from exchange transactions	Encroachment and plot clearing	18 692	14 750
Receivables from exchange transactions	Sundry Adjustments	668 850	1 117 834
Receivables from exchange transactions	Interest	2 095 820	1 921 065
Receivables from non-exchange transactions	Rates	80 809 600	82 014 922
Receivables from non-exchange transactions	Other debtors	5 675 435	3 213 286
Receivables from non-exchange transactions	Provincial Health Subsidy	1 699 376	1 340 437
Receivables from non-exchange transactions	Disaster Rough Seas	2 179 823	931 470
Receivables from non-exchange transactions	Department of Housing - RDP projects	2 066 644	3 469 675
Receivables from non-exchange transactions	Operating leases	1 905 431	1 758 002
Receivables from non-exchange transactions	Ilembe debtors	5 441 563	5 505 221
		154 316 277	**141 816 214**
Available for Sale:			
Bank Balances and Cash	Bank Balances	48 056 660	40 438 401
		48 056 660	**40 438 401**
Total Financial Assets		**424 444 029**	**362 836 041**

FINANCIAL LIABILITIES:
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows :

Financial Liabilities	**Classification**
Long-term Liabilities	
Local Registered Stock Loans	Financial liabilities at amortised cost
Non Annuity Loans	Financial liabilities at amortised cost
Annuity Loans	Financial liabilities at amortised cost
Consumer Deposits	
Electricity	Financial liabilities at amortised cost
Creditors	
Trade creditors	Financial liabilities at amortised cost
Payments received in advance	Financial liabilities at amortised cost
Deposits - other	Financial liabilities at amortised cost
Staff leave	Financial liabilities at amortised cost
Other creditors	Financial liabilities at amortised cost
Current Portion of Long-term Liabilities	
Local Registered Stock Loans	Financial liabilities at amortised cost
Non Annuity Loans	Financial liabilities at amortised cost
Annuity Loans	Financial liabilities at amortised cost

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Local Registered Stock Loans	-	17 006 000
Long-term Liabilities	Non Annuity Loans	45 968 874	60 976 985
Long-term Liabilities	Annuity Loans	4 162 504	4 892 309
Consumer Deposits	Electricity	17 393 544	14 841 134
Creditors	Trade creditors	32 297 114	26 577 678
Creditors	Payments received in advance	10 638 320	15 504 973
Creditors	Deposits - other	25 591 964	23 277 683
Creditors	Staff leave	5 775 543	5 175 552
Creditors	Other creditors	13 809 746	14 305 946
Current Portion of Long-term Liabilities	Local Registered Stock Loans	17 006 000	18 972 486
Current Portion of Long-term Liabilities	Non Annuity Loans	24 697 935	3 577 423
Current Portion of Long-term Liabilities	Annuity Loans	2 682 702	2 471 588
		200 024 247	**207 579 757**
Total Financial Liabilities		**200 024 247**	**207 579 757**

42 FINANCIAL INSTRUMENTS (Continued)

42.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with referenc quoted market prices;
- The Fair Value of other Financial Assets and Financial Liabilities is determined in accordance with generally accepted valuation techniques based on discou cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest;
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is calculated based on the present value of future principal interest cash flows, discounted at the market rate of intrest at the reporting date. In respect of the liability component of convertible notes, the market rate of intere determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to sir lease agreements.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and relevant financing institutions.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Fina Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the An Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate thei values on 31 March 2010, as a result of the short-term maturity of these assets and liabilities.

30 June 2010	**Carrying Amount R**	**Fair Value R**
FINANCIAL ASSETS		
Held to maturity:	**222 071 092**	**222 071 092**
Unlisted Investments	18 587 071	18 587 071
Collateral Security fixed deposits	241 832	241 832
Fixed deposit	22 279 623	22 279 623
30 day deposits	166 997 695	166 997 695
Current portion of non current investment	13 964 872	13 964 872
Loans and Receivables	**80 069 798**	**80 069 798**
Long-term Receivables	1 369 006	1 369 006
Receivables from exchange transactions (incl provision for doubtful debts)	29 584 647	29 584 647
Receivables from non-exchange transactions (incl provision for doubtful debts)	49 116 145	49 116 145
Available for Sale	**48 056 660**	**48 056 660**
Bank Balances and Cash	48 056 660	48 056 660
Total Financial Assets	**350 197 550**	**350 197 550**

30 June 2009	**Carrying Amount R**	**Fair Value R**
FINANCIAL ASSETS		
Held to maturity:	**180 581 426**	**180 581 426**
Unlisted Investments	28 553 524	28 553 524
Collateral Security fixed deposits	225 679	225 679
Fixed deposit	11 385 421	11 385 421
30 day deposits	119 092 953	119 092 953
Current portion of non current investment	21 323 849	21 323 849
Loans and Receivables	**122 190 743**	**122 190 743**
Long-term Receivables	1 755 459	1 755 459
Receivables from exchange transactions (incl provision for doubtful debts)	30 131 392	30 131 392
Receivables from non-exchange transactions (incl provision for doubtful debts)	90 303 892	90 303 892
Available for Sale	**40 438 401**	**40 438 401**
Bank Balances and Cash	40 438 401	40 438 401
Total Financial Assets	**343 210 570**	**343 210 570**

30 June 2010	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:	**200 024 247**	**200 024 247**
Long-term Liabilities	50 131 377	50 131 377
Trade and Other Payables:	149 892 870	149 892 870
- Consumer Deposits	17 393 544	17 393 544
- Creditors	88 112 688	88 112 688
- Current Portion of Long-term Liabilities	44 386 637	44 386 637
Total Financial Liabilities	**200 024 247**	**200 024 247**
Total Financial Instruments	**150 173 304**	**150 173 304**

30 June 2009	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:	**207 579 757**	**207 579 757**
Long-term Liabilities	82 875 294	82 875 294
Trade and Other Payables:	124 704 463	124 704 463
- Consumer Deposits	14 841 134	14 841 134
- Creditors	84 841 832	84 841 832
- Current Portion of Long-term Liabilities	25 021 497	25 021 497
Total Financial Liabilities	**207 579 757**	**207 579 757**
Total Financial Instruments	**135 630 813**	**135 642 694**

42.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consur through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2009 and there was no change in the ca management policy. The municipality is not subject to externally imposed capital requirements. For the period the municipality has complied with the ca requirements and there were no instances of non-compliance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Ec comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of ca and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity.

	2010 R	2009 R
The gearing ratio at the year-end was as follows:		
Debt	94 518 015	107 896 791
Net Debt	94 518 015	107 896 791
Equity	811 528 602	762 914 324
Net debt to equity ratio	**11.65%**	**14.14%**

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 2.
Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

42 FINANCIAL INSTRUMENTS (Continued)

42.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by busi entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly a Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in underta its activities.
The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. TI risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks inc interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annuall external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.
The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivativ governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the us financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for specul purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee independent body that monitors the effectiveness of the internal audit function.
The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies impleme to mitigate risk exposures.

42.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the An Financial Statements.

42.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate marke

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of ma interest changes. There was no change in the municipalities interest rate risk management policy during the period.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and c balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high c standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are perfor on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restri of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categ of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipalit maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analys prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease used, which represents management's assessment of the reasonably possible change in interest rates.

42 FINANCIAL INSTRUMENTS (Continued)

Effect of a change in interest rate on interest bearing financial assets and liabilities

		2010 R	2009 R
Financial Assets	**Classification**		
External investments:			
Investments	Held to maturity	41 108 525	40 164 624
Call investment deposits	Available for sale	180 962 567	140 416 802
Bank balances and cash	Available for sale	48 056 660	40 438 401
		270 127 752	**221 019 827**
Interest received			
Interest Earned - External Investments		14 766 609	18 464 780
Interest rate		5.47%	8.35%
Effect of a change in interest rate on interest earned from external investments:			
Effect of change in interest rate	%	4.47%	7.35%
Effect of change in interest rate	Rand value	12 065 331	16 254 582
Effect of change in interest rate	%	6.47%	9.35%
Effect of change in interest rate	Rand value	17 467 886	20 674 978
Outstanding debtors:			
Long-term receivables	Loans and receivables	1 369 006	1 755 459
Current portion of long-term receivables	Loans and receivables	1 109	5 055
Trade receivables from exchange transactions	Loans and receivables	29 584 647	30 131 392
Trade receivables from non-exchange transactions	Loans and receivables	49 116 145	90 303 892
		80 070 907	**122 195 798**
Interest received			
Interest Earned - Outstanding Debtors		1 870 691	2 555 290
Interest rate		2.34%	2.09%
Effect of a change in interest rate on interest earned from outstanding debtors			
Effect of change in interest rate	%	1.34%	1.09%
Effect of change in interest rate	Rand value	1 069 982	1 333 332
Effect of change in interest rate	%	3.34%	3.09%
Effect of change in interest rate	Rand value	2 671 400	3 777 248
Financial Liabilities	**Classification**		
Long-term Liabilities			
Local Registered Stock Loans	Financial liabilities at amortised cost	17 006 000	35 978 486
Non Annuity Loans	Financial liabilities at amortised cost	70 666 809	64 554 408
Annuity Loans	Financial liabilities at amortised cost	6 845 206	7 363 897
		94 518 015	107 896 791
Interest paid			
Long-term Liabilities		11 132 734	13 419 874
Interest rate %		11.78%	12.44%
Effect of a change in interest rate on interest paid on long-term liabilities			
Effect of change in interest rate	%	10.78%	11.44%
Effect of change in interest rate	Rand value	10 187 553	12 340 906
Effect of change in interest rate	%	12.78%	13.44%
Effect of change in interest rate	Rand value	12 077 914	14 498 842

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42 FINANCIAL INSTRUMENTS (Continued)

Effective Interest Rates and Repricing Analysis

In accordance with IFRS 7 .40 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	1 year or less	1 - 2 Years	2 - 5 Years
	#	%	R	R	R	
FIXED RATE INSTRUMENTS						
Held-to-maturity Investments			**221 829 260**	**221 829 260**	**-**	**-**
Fixed Deposit	13	7.27%	22 279 623	22 279 623	-	-
Call Investment Account	18	6.24%	166 997 695	166 997 695	-	-
Current portion of long term investments	13	14.80%	13 964 872	13 964 872		
Zero Coupon Deposits	18	13.53%	18 587 071	18 587 070	-	-
Secured Bank Facilities			**241 832**	**241 832**	**-**	**-**
Collateral Security fixed deposits	18	6.69%	241 832	241 832	-	-
Total Fixed Rate Instruments			**222 071 092**	**222 071 092**	**-**	**-**
VARIABLE RATE INSTRUMENTS						
Bank Balances and Cash	19		48 056 660	48 056 660	-	-
Long-term receivables	14		1 369 006	-	1 369 006	-
Receivables from exchange transactions	16		29 584 647	29 584 647	-	-
Receivables from non-exchange transactions	17		49 116 145	49 116 145	-	-
Current portion of long-term receivables	14		1 109	1 109	-	-
Total Variable Rate Instruments			**128 127 567**	**126 758 561**	**1 369 006**	**-**

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total	1 year or less	1 - 2 Years	2 - 5 Years
	#	%	R	R	R	
FIXED RATE INSTRUMENTS						
Held-to-maturity Investments			**180 355 747**	**151 802 223**	**28 553 524**	**-**
Fixed Deposit	13	7.77%	11 385 421	11 385 421	-	-
Call Investment Account	18	6.48%	119 092 953	119 092 953	-	-
Current portion of long term investments	13	14.80%	21 323 849	21 323 849	-	-
Zero Coupon Deposits	18	13.28%	28 553 524	-	28 553 524	-
Secured Bank Facilities			**225 679**	**225 679**	**-**	**-**
Collateral Security fixed deposits	18	7.97%	225 679	225 679	-	-
Total Fixed Rate Instruments			**180 581 426**	**152 027 902**	**28 553 524**	**-**
VARIABLE RATE INSTRUMENTS						
Bank Balances and Cash	19		40 438 401	40 438 401	-	-
Long-term receivables	14		1 755 459	-	1 755 459	-
Receivables from exchange transactions	16		30 131 392	30 131 392	-	-
Receivables from non-exchange transactions	17		90 303 892	90 303 892	-	-
Current portion of long-term receivables	14		5 055	5 055	-	-
Total Variable Rate Instruments			**162 634 199**	**160 878 740**	**1 755 459**	**-**

42.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

42.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the n municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining ade banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financ liabilities. Included in Note 31 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

42 FINANCIAL INSTRUMENTS (Continued)

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flo
The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up bas
discounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest
flows. The cash flows included in the maturity analysis are not expected to occur significantly earlier, or at significantly different amounts.

Description	Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
	#	R		R	R	
30 June 2010						
Long-term liabilities	2	50 131 377	85 788 935	-	16 907 988	36 272 992
Non-current lease liability	40	154 571	171 105	-	171 105	-
Creditors	7	87 282 910	87 282 910	87 282 910	-	-
Current portion of long-term liabilities	2	44 386 637	49 293 114	49 293 114	-	-
Current portion of lease liability	40	232 488	273 926	273 926	-	-
		182 187 984	**222 809 991**	**136 849 950**	**17 079 093**	**36 272 992**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on t
contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cas
a different period.

Description	Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
	#	R		R	R	
30 June 2010						
Investments	13	22 521 455	22 657 609	22 657 609	-	-
Call investment deposits	18	199 549 638	202 867 626	202 867 626	-	-
		222 071 092	**225 525 235**	**225 525 235**	**-**	**-**

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42 FINANCIAL INSTRUMENTS (Continued)

42.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2010 R	2009 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows		
Investments	22 521 455	40 164 624
Long-term receivables	1 369 006	1 755 459
Receivables from exchange transactions	53 927 443	46 007 434
Receivables from non-exchange transactions	99 777 873	98 233 013
Current portion of long-term receivables	1 109	5 055
Call investment deposits	199 549 638	140 416 802
Bank balances and cash	48 056 660	40 438 401
Maximum Credit and Interest Risk Exposure	**425 203 183**	**367 020 788**
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to		
Long-term Receivables		
Group 1	1 369 006	1 755 459
Group 2	-	-
Total Long-term Receivables	**1 369 006**	**1 755 459**

42 FINANCIAL INSTRUMENTS (Continued)

Counterparties without external credit rating:-		
Group 1	-	-
Group 2	-	-
Group 3	53 927 443	46 007 434
	53 927 443	46 007 434
Total receivables from exchange transactions	**53 927 443**	**46 007 434**
Trade receivables from non-exchange transactions		
Group 1	99 777 873	98 233 013
Group 2	-	-
Total receivables from non-exchange transactions	**99 777 873**	**98 233 013**

An analysis of trade receivables and the related impairment (provision for bad debts) is disclosed in Note

Bank Balances		
First National Bank	45 766 835	39 369 131
Petty cash and cash balances	2 289 824	1 069 270
Total Bank Balances	**48 056 660**	**40 438 401**

Credit quality of groupings

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade.

42.3 Reconciliation of budget surplus/deficit in the statement of financial performance

Net surplus/deficit per the statement of financial performance	**48 614 273**
Adjusted for:	
Public donation - property plant and equipment	(27 960 408)
Government grant and subsidies	(23 883 097)
Interest earned - external investments	(4 689 362)
Service charges	5 903 282
Balance of revenue	270 374
Employee related costs	(13 634 095)
Depreciation	(5 858 036)
Repairs and maintenance	(2 806 825)
Revaluation - investment property	11 265 000
Adjustments to provisions	30 593 252
Adjustments to non current provisions	(5 947 992)
Impairment loss	4 290 130
Recharges	2 344 342
Bulk purchases	(1 806 782)
Contracted services	(1 255 755)
Balance of expenditure	(15 239 183)
Net surplus per approved budget	**199 118**

KWADUKUZA MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 201(

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/12/09	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/10
		%		R	R	R	R
Stock Loans							
FBC Fidelity/ Nedbank	05/7492000448	14.30%	05/10/2009	18 972 486	-	18 972 486	-
ABSA	4056847480	17.00%	31/12/2010	15 000 000	-	-	15 000 000
KD INCA/FNB Norm	STAN 00-0001	16.90%	30/06/2011	2 006 000	-	-	2 006 000
Total Stock Loans				**35 978 486**	**-**	**18 972 486**	**17 006 000**
Non Annuity Loans							
INCA	KWAD00-0001	16.00%	30/06/2011	19 000 000	-	-	19 000 000
INCA	KWAD00-0002	11.63%	30/06/2012	7 573 860	-	2 238 814	5 335 047
INCA	KWAD00-0003	11.73%	30/06/2012	537 828	-	158 814	379 014
INCA	KWAD00-0004	11.56%	30/06/2012	3 988 254	-	1 179 795	2 808 459
INCA	KWAD00-0005	9.09%	31/05/2015	-	5 900 000	84 435	5 815 565
ABSA (R 3,1 mil)	30-3123-2295	10.90%	01/06/2015	-	3 100 000	-	3 100 000
ABSA (R 0,9 mil)	30-3124-5686	9.83%	01/06/2015	-	900 000	-	900 000
DBSA	101276	Base rate+2.7%	30/09/2025	33 454 466	1 957 304	2 083 045	33 328 724
Total Non Annuity Loans				**64 554 408**	**11 857 304**	**5 744 904**	**70 666 809**
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	456 736	-	33 381	423 355
DBSA	11165/102	15.75%	30/09/2017	5 525 180	-	344 731	5 180 449
DBSA	13527/103	16.50%	30/09/2014	505 952	-	62 514	443 439
DBSA	11577/102	18.00%	30/12/2014	7 542	-	1 144	6 399
DBSA	9879/102	12.00%	30/06/2016	868 486	-	76 922	791 565
Total Annuity Loans				**7 363 897**	**-**	**518 691**	**6 845 206**
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				**107 896 791**	**11 857 304**	**25 236 081**	**94 518 015**

KWADAKUZA MUNICIPALITY
APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

	COST /REVALUATION								ACCUMULATED DEPRECIATION					
	Opening Balance	Additons	Under Construction	Assets fair valued	Assets Donated	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additons	Disposals	Impairment	Closing Balance	Carrying Value
Community Assets	44 707 456	13 504 579						58 212 035	3 781 786	2 357 020			6 138 806	52 073 228
Vehicles	35 200 777	3 959 226				(105 861)	-	39 054 142	10 399 272	4 019 624	(49 179)	401 803	14 771 521	24 282 622
Infastructure Roads	190 513 573	3 875 596			10 594 668		1 602 709	206 586 546	88 204 770	4 674 123		1 867 827	94 746 720	111 839 826
Infastructure Storm Water	111 377 352	-	-		2 903 927	-	-	114 281 279	20 864 641	2 257 858			23 122 499	91 158 780
Infastructure Electrical	334 197 737	6 368 929			14 461 813	(2 379 147)		352 649 332	108 503 436	7 462 889	(832 585)	2 020 500	117 154 240	235 495 092
Furniture and Fittings	18 756 546	3 193 035	-	601 305		(257 868)	-	22 293 018	5 961 333	3 484 774	(116 971)		9 329 136	12 963 882
Other Assets	21 866 114	6 669 282			-		-	28 535 396	4 402 465	1 941 007			6 343 472	22 191 924
Developed Land	27 218 900	1 209 281						28 428 181	404 379	50 784			455 163	27 973 018
Undeveloped Land	73 829 700	-	-		-		-	73 829 700	754 000				754 000	73 075 700
Housing	8 052 000	-	-		-	-	-	8 052 000	3 757 570	268 220			4 025 789	4 026 211
Assets under construction	1 714 674		26 553 615		-	(291 965)	(1 602 709)	26 373 615					-	26 373 615
Leased assets	905 883	199 318				(278 837)		826 364	513 738	242 787	(278 837)		477 689	348 676
	868 340 711	**38 979 247**	**26 553 615**	**601 305**	**27 960 408**	**(3 313 678)**	**-**	**959 121 608**	**247 547 388**	**26 759 086**	**(1 277 571)**	**4 290 130**	**277 319 035**	**681 802 573**

KWADAKUZA MUNICIPALITY
APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

	COST / REVALUATION				ACCUMULATED DEPRECIATION					
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
EXECUTIVE AND COUNCIL	1 556 769	1 736	(4 583)	1 553 922	516 681	325 546	(1 728)	-	840 500	713 422
FINANCE AND ADMINISTRATION	44 150 508	3 106 799	(234 650)	47 022 657	4 890 060	1 565 238	(142 909)	-	6 312 388	40 710 268
PLANNING AND DEVELOPMENT	5 149 623	1 860 146	(74 835)	6 934 934	1 000 071	1 203 753	(62 546)	-	2 141 279	4 793 656
HEALTH	5 778 504	559 109	(138 809)	6 198 804	2 375 550	602 003	(137 673)	-	2 839 880	3 358 924
COMMUNITY AND SOCIAL SERVICES	23 692 140	1 485 884	(54 478)	25 123 546	2 146 808	878 102	(39 514)	-	2 985 396	22 138 150
HOUSING	12 770 689	64 953	-	12 835 642	4 381 169	520 421	-	-	4 901 590	7 934 052
PUBLIC SAFETY	22 445 833	7 717 801	(120 491)	30 043 142	6 708 435	1 764 242	(54 842)	401 803	8 819 638	21 223 504
SPORTS AND RECREATION	100 018 781	11 614 138	(3 280)	111 629 639	4 065 658	2 364 404	(578)	-	6 429 484	105 200 155
WASTE MANAGEMENT	401 499	2 039 421	-	2 440 920	4 269	73 308	-	-	77 577	2 363 343
ROAD TRANSORT	321 998 605	31 858 324	(292 485)	353 564 444	114 699 220	9 352 834	(268)	1 867 827	125 919 613	227 644 831
ELECTRICITY	330 377 761	33 786 266	(2 390 067)	361 773 960	106 759 470	8 109 237	(837 515)	2 020 500	116 051 693	245 722 268
Grand Total	**868 340 713**	**94 094 574**	**(3 313 678)**	**959 121 609**	**247 547 388**	**26 759 088**	**(1 277 571)**	**4 290 130**	**277 319 036**	**681 802 572**

KWADUKUZA MUNICIPALITY
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Revenue R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Revenue R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
(49 160 437)	14 638 703	34 521 734	Executive and Council	(58 403 656)	88 667 598	(30 263 942)
(196 517 966)	47 097 620	149 420 346	Finance and Administration	(192 252 560)	44 077 027	148 175 533
(5 435 721)	18 527 770	(13 092 049)	Planning and Development	(4 502 738)	22 745 634	(18 242 895)
(4 066 165)	8 694 965	(4 628 800)	Health	(4 482 153)	8 533 787	(4 051 634)
(5 892 187)	18 452 095	(12 559 907)	Community and Social Services	(613 994)	10 365 283	(9 751 290)
(2 305 420)	10 173 728	(7 868 308)	Housing	(3 101 107)	4 851 448	(1 750 341)
(2 727 136)	33 141 584	(30 414 448)	Public Safety	(3 314 438)	36 416 940	(33 102 502)
(15 796 912)	32 077 103	(16 280 191)	Sports and Recreation	(9 539 480)	41 031 711	(31 492 231)
(30 976 785)	35 252 641	(4 275 856)	Waste Management	(36 060 566)	35 181 667	878 900
(425 475)	29 884 381	(29 458 907)	Road Transport	(5 693 405)	37 944 666	(32 251 260)
(263 927 483)	219 075 317	44 852 166	Electricity	(306 828 463)	275 453 803	31 374 661
(577 231 688)	**467 015 908**	**110 215 780**	**Sub Total**	**(624 792 563)**	**605 269 565**	**19 522 995**
-	(25 907 336)	25 907 336	Less: Inter-Departmental	-	(29 091 278)	29 091 278
(577 231 688)	**441 108 572**	**136 123 116**	**Total**	**(624 792 563)**	**576 178 290**	**48 614 273**

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Actual 2010	Budget 2010	Variance 2010	Variance 2010	Explanation of significant Variance greater than 5% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(165 698 819)	(163 036 182)	(2 662 637)	1.63%	Significant valuation rolls were completed resulting in many rates payments
Property rates- penalties imposed and collection charges	(7 250 954)	(8 000 000)	749 046	-9.36%	Valuation appeal matters were less than anticipated leading to less penalties imposed
Service charges	(293 421 624)	(299 324 906)	5 903 282	-1.97%	n/a
Rental of facilities and equipment	(1 104 910)	(1 144 593)	39 683	-3.47%	n/a
Interest earned- external investments	(14 766 609)	(10 077 247)	(4 689 362)	46.53%	More investments made than anticipated.
Interest earned- outstanding debtors	(1 870 691)	(2 380 000)	509 309	-21.40%	Some residences decided to pay their debts thereby decreasing interest on accounts.
Fines	(2 875 847)	(2 755 767)	(120 080)	4.36%	n/a
Licences and permits	(5 812 220)	(6 164 134)	351 914	-5.71%	Less fees in the testing department due to the Wolrd cup period.
Government grants and subsidies	(77 638 038)	(53 754 940)	(23 883 098)	44.43%	Represents conditional grants where conditions have been met and the amounts transferred to revenue.
Other income	(26 078 836)	(27 795 584)	1 716 748	-6.18%	Income not received as anticipated, mainly attributed by Building plans revenue, C
Gain on disposal of property, plant and equipment	-	-	-	0.00%	Cannot budget as disposals are only known during the financial year.
Public donations	(27 960 408)	-	(27 960 408)	100.00%	Not possible to budget for this as the Muncipality was not sure when the project would have been completed.
Retirement and long service benefits	(313 607)	-	(313 607)	100.00%	Cannot budget as the figure represents a decrease in acturial valuations as per acturial report.
Total Revenue	(624 792 563)	(574 433 353)	(50 359 210)	8.77%	
EXPENDITURE					
Executive & Council	88 667 598	34 722 328	53 945 270	155.36%	Over expenditure due to asset ipmairements, retirement recognition payment, provision for bad debts due to fair valuing of debtors, devaluation of investment properties.
Finance & Admin	44 077 027	75 846 263	(31 769 235)	-41.89%	Savings on salaries, valuations and valuation rolls, MFMA and Interdepartmental n
Planning & Development	22 745 634	26 341 252	(3 595 619)	-13.65%	Savings on salaries, pension and travelling allowances.
Health	8 533 787	8 584 064	(50 277)	-0.59%	n/a
Community & Social Services	10 365 283	12 250 905	(1 885 622)	-15.39%	Savings on employee related costs, depreciation and general expenses.
Housing	4 851 448	5 592 846	(741 398)	-13.26%	Savings on salaries
Public Safety	36 416 940	38 936 219	(2 519 279)	-6.47%	Savings on salaries, security services and processing of fines.
Sport & Recreation	41 031 711	38 910 456	2 121 255	5.45%	Savings on repairs and maintenance, general expences, asset depreciation
Waste Management	35 181 667	38 472 046	(3 290 379)	-8.55%	Savings on bad debt provision and dump charges
Road Transport	37 944 666	39 027 233	(1 082 567)	-2.77%	n/a
Electricity	275 453 803	286 986 244	(11 532 441)	-4.02%	n/a
Inter- departmental charges	(29 091 278)	(31 435 620)	2 344 342	-7.46%	Internal costing
Total Expenditure	576 178 290	574 234 236	1 944 055	0.34%	
NET (SURPLUS)/ DEFICIT FOR THE YEAR	(48 614 273)	(199 117)	(48 415 155)	49971.15%	

:ontributions demand based componen

nanagement

KWADAKUZA MUNICIPALITY
APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2010	2010	2010	2010	2010	Explanation of Significant Variances Greater than 5% versus Budget
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	
EXECUTIVE AND COUNCIL	1 736	-	1 736	126 000	124 264	**99%**	Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.
FINANCE & ADMIN	2 998 227	108 572	3 106 799	7 353 143	4 246 344	**58%**	Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.
PLANNING & DEVELOPMENT	621 644	1 238 502	1 860 146	4 337 000	2 476 854	**57%**	Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.
HEALTH	559 109	-	559 109	420 000	(139 109)	**-33%**	Represents assets that have been paid for by the Health Department.
COMMUNITY & SOCIAL SERVICES	10 754 081	4 385 362	15 139 443	16 753 798	1 614 355	**10%**	Certain sports, waste management and other projects that were budgeted for, would be undertaken in the 10/11 financial year.
HOUSING	64 953	-	64 953	31 736 073	31 671 121	**100%**	This represents Housing grants that did not materalise. The municipality could not proceed with these projects in the absence of these grants.
PUBLIC SAFETY	3 300 084	4 417 717	7 717 801	10 088 644	2 370 843	**24%**	Due to economic conditions, the fleet replacement programme was suspended for the year. Certain projects did not get off the ground.
ROADS & STORM WATER DRAINAGE	15 634 862	16 223 462	31 858 324	42 968 096	11 109 772	**26%**	Assets have been donated to the municipality that have been included in the additions
ELECTRICITY	33 786 266	-	33 786 266	18 360 400	(15 425 866)	**-84%**	Assets have been donated to the municipality that have been included in the additions
	67 720 961	**26 373 614**	**94 094 576**	**132 143 154**	**38 048 578**	**29%**	

Total additions excludes assets fair valued as this was not budgeted for.

KWADUKUZA MUNICIPALITY
APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2009/2010

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2008/2009 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2009/2010 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	16 611 519	13 289 215	4 958 702	6 942 000	**41 801 436**	10 450 359	10 450 359	10 450 359	10 450 359	**41 801 436**	-	NO	N/A	YES	N/A
MIG	DPLG	323 731	-	18 541 000	-	1 399 000	**19 940 000**	1 577 578	6 585 364	6 587 606	2 822 924	**17 573 471**	2 690 260	NO	N/A	YES	N/A
Coastal Care Grant	KZN Wildlife	-												NO	N/A	YES	N/A
Provincial Health Subsidies	Provincial Health	-1 340 437	-	-	-	4 148 796	**4 148 796**	-	-	-	4 507 735	**4 507 735**	-1 699 376	NO	N/A	YES	N/A
DME	Dept Minerals & Energy	-	-	-	4 000 000	-	**4 000 000**	-	-	-	354 717	**354 717**	3 645 283	NO	N/A	YES	N/A
FMG	National Treasury	491 772	750 000	-	-	-	**750 000**	44 361	40 447	112 084	362 268	**559 160**	682 612	NO	N/A	YES	N/A
LUMS	LGTA	332 000	-	-	-	-	**-**	-	90 000	-	90 000	**180 000**	152 000	NO	N/A	YES	N/A
Admin Capacity	LGTA	100 000	-	-	-	-	**-**	-	-	-	100 000	**100 000**	-	NO	N/A	YES	N/A
New Library	Provincial Libraries	41 323	-	90 000	-	-	**90 000**	24 847	27 163	24 635	24 897	**101 543**	29 780	NO	N/A	YES	N/A
IMG	LGTA	40 000	-	-	-	-	**-**	-	-	-	40 000	**40 000**	-	NO	N/A	YES	N/A
Community Development Workers	LGTA	16 351	-	-	-	-	**-**	-	-	-	16 351	**16 351**	-	NO	N/A	YES	N/A
MSIG	LGTA	1 450 145	735 000	-	-	-	**735 000**	525 327	375 522	389 465	99 029	**1 389 342**	795 803	NO	N/A	YES	N/A
GIJIMA	Dept Economic Development	-	-	-	-	-	**-**	-	-	-	-	**-**	-	NO	N/A	YES	N/A
LED GRANT	LGTA	-	-	-	-	-	**-**	-	-	-	-	**-**	-	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	-	-	-	68 000	-	**68 000**	-	-	-	-	**-**	68 000	NO	N/A	YES	N/A
DBSA - Capacity Building	Development Bank of South Africa	262 774	-	-	-	-	**-**	-	-	-	-	**-**	262 774	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	133 000	-	-	-	-	**-**	-	-	22 305	-	**22 305**	110 695	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation	-	-	-	-	-	**-**	-	-	-	-	**-**		NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	129 233	-	-	4 875 000	-	**4 875 000**	-	-	-	-	**-**	5 004 233	NO	N/A	YES	N/A
AGRICULTURAL	Provincial Dept. of Agriculture	5 770	-	-	-	-	**-**	-	-	-	5 770	**5 770**	-	NO	N/A	YES	N/A
KING SHAKA	Ilembe District Municipality	1 502 646	-	-	-	500 000	**500 000**	-	-	68 000	927 473	**995 473**	1 007 174	NO	N/A	YES	N/A
MAP	DPLG	2 205 358	-	-	-	-	**-**	-	-	-	-	**-**	2 205 358	NO	N/A	YES	N/A
Disaster rough seas	LGTA	-931 470	-	-	-	8 137 132	**8 137 132**	-	-	-	9 385 485	**9 385 485**	-2 179 823	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	-3 469 675	-	1 238 211	600 000	-	**1 838 211**	22 811	412 369	-	-	**435 179**	-2 066 644	NO	N/A	YES	N/A
Ramasar Relief Fund		37 943	-	-	-	-	**-**	-	7 000	-	-	**7 000**	30 943	NO	N/A	YES	N/A
Disaster relief fund: Storm 28.02.09		2 150	-	-	-	-	**-**	-	-	-	2 150	**2 150**	-	NO	N/A	YES	N/A
DPT.: AGRICULTURE		100 000	-	-	-	-	**-**	-	-	-	100 000	**100 000**	-	NO	N/A	YES	N/A
HEALTH: SAPPI		24 150	-	-	-	-	**-**	-	-	-	-	**-**	24 150	NO	N/A	YES	N/A
KwaDukuza Library: HeadCount System	Provincial Libraries	-	60 920	-	-	-	**60 920**	60 920	-	-	-	**60 920**	-	NO	N/A	YES	N/A
iLembe Shared Services	Ilembe District Municipality	-	-	-	-	643 500	**643 500**	-	-	-	-	**-**	643 500	NO	N/A	YES	N/A
		1 456 764	**18 157 439**	**33 158 426**	**14 501 702**	**21 770 428**	**87 587 995**	**12 706 204**	**17 988 223**	**17 654 453**	**29 289 157**	**77 638 037**	**11 406 722**				
							87 587 995					**77 638 037**					
Reflected as other debtors - Note 17		**5 741 582**						Reflected as other debtors - claims submitted awaiting settlement - Note 17					**5 945 843**				
Unspent grants at 30 June 2009 - Note 8		**7 198 346**						Unspent grants at 30 June 2010 - Note 8					**17 352 565**				